JAGUAR MINING INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED
DECEMBER 31, 2015

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
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This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2015 and related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). For further information on Jaguar Mining Inc., reference should be made to its public filings (including its most recently filed annual information form ("AIF") which is available on SEDAR at www.sedar.com). Information on risks associated with investing in the Company's securities and technical and scientific information under National Instrument 43-101 concerning the Company's material property, including information about mineral resources and reserves, are contained in the Company's most recently filed AIF and technical reports.

All amounts included in this MD&A are in United States dollars ("$"), unless otherwise specified. References to Cdn$ are to Canadian dollars and R$ are to Brazilian Reais. This report is dated as at March 21, 2016.

Where we say "we", "us", "our", the "Company" or "Jaguar", we mean Jaguar Mining Inc. or Jaguar Mining Inc. and/or one or more or all of its subsidiaries, as it may apply. The following abbreviations are used to describe the periods under review throughout this MD&A:

Abbreviation	Period	Abbreviation	Period
FY 2015	January 1, 2015 – December 31, 2015	**FY 2014**	January 1, 2014 – December 31, 2014
Q1 2015	January 1, 2015 – March 31, 2015	**Q1 2014**	January 1, 2014 – March 31, 2014
Q2 2015	April 1, 2015 – June 30, 2015	**Q2 2014**	April 1, 2014 – June 30, 2014
Q3 2015	July 1, 2015 – September 30, 2015	**Q3 2014**	July 1, 2014 – September 30, 2014
Q4 2015	October 1, 2015 – December 31, 2015	**Q4 2014**	October 1, 2014 – December 31, 2014

OUR BUSINESS

Jaguar Mining Inc. is a Canadian-listed junior gold mining, development, and exploration company operating in Brazil with three gold mining complexes, and a large land package with significant upside exploration potential. The Company's principle operating assets are located in the state of Minas Gerais and include the Turmalina Gold Mine Complex ("Mineração Turmalina Ltda" or "MTL") and Caeté Gold Mine Complex ("Mineracao Serras do Oeste Ltda" or "MSOL") which combined produce more than 90,000 ounces of gold annually. The MSOL legal entity also owns the Paciência Gold Mine Complex, which has been on care and maintenance since 2012.

Led by a proven and experienced senior management team in Brazil, our operating philosophy focuses on creating excellent shareholder value through the execution of a safe and sustainable operating plan, increasing Minernal Reserves and Resources, prudent cost management practices, generating free cash flow, and increasing production through the development of high value growth projects including the open-pit gold mining Gurupi Project ("Mineração Chega Tudo" or "MCT").

We benefit from the exploration and development of the Company's existing brownfield land package and from mineral concessions comprising over 54,000 hectares, proximal to current operations, in the Iron Quadrangle mining district of Brazil, a prolific greenstone belt located near the city of Belo Horizonte in the State of Minas Gerais. In addition, more than 140,000 hectares of mineral concessions in the State of Maranhão, where the Company's Gurupi Project is located, and approximately 35,000 hectares in the State of Ceará, where the Company's Pedra Branca Project is located, provide significant future upside potential. The Company may consider the acquisition, exploration, development, and operation of other gold properties.

Q4 & FY 2015 FINANCIAL & OPERATING HIGHLIGHTS

($ thousands, except where indicated)	For the three months ended December 31,		For the twelve months ended December 31,	
	2015	2014	**2015**	2014
Financial Data				
IFRS Measures				
Revenue	**$ 26,820**	$ 25,766	**$ 106,513**	$ 116,362
Cost of sales	**17,561**	30,286	**83,846**	120,952
Depreciation (included in cost of sales)	**3,628**	6,778	**16,519**	30,521
Gross margin	**9,259**	(4,520)	**22,667**	(4,590)
Gross margin (excluding depreciation)[1]	**12,887**	2,258	**39,186**	25,931
Net income (loss)	**1,670**	(90,530)	**(11,212)**	130,863
Per share ("EPS")	**0.02**	(0.81)	**(0.10)**	1.69
EBITDA[1]	**1,948**	(80,053)	**14,010**	177,653
Adjusted EBITDA[2]	**8,154**	(4,305)	**22,161**	5,006
Non-IFRS Measures				
Average realized gold price ($ per ounce)[1]	**1,098**	1,204	**1,145**	1,261
Cash operating costs (per ounce produced)[1]	**574**	894	**694**	940
Cash operating costs (per ounce sold)[1]	**631**	965	**755**	980
All-in sustaining costs (per ounce sold)[1]	**991**	1,343	**1,088**	1,378
Sustaining capital expenditures[1]	**5,598**	5,156	**18,146**	21,369
Non-sustaining capital expenditures[1]	**334**	225	**715**	1,052
Total capital expenditures[3]	**$ 5,932**	$ 5,381	**$ 18,861**	$ 22,421
Operating Data				
Ore processed (t)	**216,000**	258,000	**875,000**	1,038,000
Average head grade (g/t)	**3.96**	3.04	**3.67**	3.03
Gold produced (ounces)	**23,169**	22,456	**90,421**	92,057
Gold sold (ounces)	**24,416**	21,400	**92,988**	92,264
Definition drilling (metres)	**6,760**	10,000	**36,238**	37,771

[1] Average realized gold price, sustaining and non-sustaining capital expenditures, cash operating costs and all-in sustaining costs, EBITDA and Adjusted EBITDA, and gross margin (excluding depreciation) are non-gaap financial performance measures with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A.
[2] Adjusted EBITDA excludes non-cash items such as impairment and write-downs. For more details, refer to the Non-IFRS Performance Measures section of the MD&A.
[3] These amounts are presented on accrual basis. Capital expenditures are included in our calculation of all-in sustaining costs.

Cash and Gold Bullion

($ thousands)	December 31, 2015	December 31, 2014
Cash and cash equivalents	**$ 15,319**	$ 7,161
Gold bullion	**-**	1,801
Total cash and gold bullion	**$ 15,319**	$ 8,962

Financial Highlights

Net Loss, Revenue, and External Factors

- Gold sales for Q4 2015 and the year ended December 31, 2015 increased to 24,416 and 92,988 ounces respectively, compared with 21,400 and 92,264 ounces sold for the corresponding 2014 periods.
- Revenue during Q4 2015 increased to $26.8 million, compared with $25.8 million in Q4 2014, despite a 9% decrease year-over-year in the average realized gold price to $1,098 in Q4 2015 vs. $1,204 in Q4 2014). Revenue for the year ended December 31, 2015 was $106.5 million, compared with $116.4 million for the corresponding 2014 period.
- Net loss for the year ended December 31, 2015 was $11.2 million (year ended December 31, 2014 – net income of $130.9 million) due to the impact of the net impairment charge ($4.3 million), the change in the fair value of the convertible debentures ($4.8 million), and the increase in the legal provisions ($10.4 million).
- The results of our operations are affected by the foreign currency movements of the Brazilian Real and Canadian dollar, versus the US dollar. Approximately 90% of our expenditures in Brazil and 95% of our expenditures for the head office in Toronto are denominated in Brazilian Reais and Canadian dollars, respectively. Since the Company reports its earnings in US dollars, any weakening of the Brazilian Real and Canadian dollar results in a reduction in US dollar denominated costs, while revenues are unaffected given all revenue is earned in US dollars. The decline in US dollar denominated gold price was offset by the decline in the Brazilian Real during 2015, thus acting as a hedge for our profitability. The average exchange rate of the Brazilian Real against the US dollar was 51% weaker in Q4 2015 as compared to Q4 2014 (Q4 2015 average exchange rate: R$3.84 per US$ compared to Q4 2014: R$2.54 per US$).

Low Cash Operating Costs, Capital Expenditures, and All-In-Sustaining Costs

- Cash operating costs decreased 36%, or $320, to $574 per ounce of gold produced in Q4 2015, compared to $894 per ounce during Q4 2014. Cash operating costs decreased 26%, or $246, to $694 per ounce of gold produced for FY 2015, compared to $940 per ounce during the same period in 2014. The decrease in costs was primarily driven by devaluation of the Brazlian Real against the US dollar, and offsets the revenue loss from the lower US dollar gold price in 2015.
- All-in sustaining costs ("AISC") decreased 21%, or $290, to $1,088 per ounce of gold produced for FY 2015, compared to $1,378 per ounce produced in Q4 2014. Sustaining capital expenditures in FY 2015 were $18.1 million, which were 15% or $3.2 million lower than FY 2014, mainly due to the suspension of development at Pilar.
- AISC decreased 26%, or $352, to $991 per ounce of gold sold in Q4 2015, compared to $1,343 per ounce sold during Q4 2014. In Q4 2015, sustaining capital expenditures increased by $0.4 million, or 9%, to $5.6 million compared to $5.2 million during Q4 2014, primarily due to the restart of capital refurbishment activities for the mining fleet, following the completion of the financing (see below).
- Adjusted EBITDA (excluding non-cash items and impairment) for Q4 2015 and FY 2015 was $8.2 million and $22.2 million respectively, mainly due to lower cash operating costs and cash refunds of tax credits during the year.
- Operating cash flow was $24.2 million for FY 2015, compared to negative operating cash flow of $6.8 million in FY 2014, despite a 9% decrease in the average realized gold price.

Debenture Financing and Tax Refunds

- On October 27, 2015, the Company closed an over-subscribed financing of Convertible Senior Secured Debentures. Aggregate gross proceeds of $21.5 million were raised, of which approximately $8.4 million was used to repay Renvest Global Resources Fund ("Renvest") in order to transfer its interest in its credit facility with the Company to the convertible debenture subscribers. The Company plans to use the remainder of the proceeds to advance asset optimization plans in conjunction with the Company's ongoing development and production activities and for general corporate purposes.
- In addition to the repayment of $8.4 million to Renvest on closure of the financing, the Company repaid $9.9 million of principal plus interest on the Renvest debt during FY 2015. The Company also had net repayments of $2.3 million of principal on a portion of loans from Brazilian banks during the year. As at December 31, 2015, total debt was $41.2 million, compared to $31.0 million as at December 31, 2014.
- The Company received a total of $7.7 million of cash tax refunds in respect of its Federal VAT input tax credits for years 2009 through 2011, for its operating Brazilian subsidiaries during FY 2015 (FY 2014 – $nil).

Cash Position, Positive Working Capital

- Working capital significantly improved to $2.0 million as at December 31, 2015 compared to a working capital deficiency of $23.2 million as at December 31, 2014.
- As at December 31, 2015, the Company had cash and unsold gold bullion on hand of $15.3 million ($9.0 million as at December 31, 2014).
- The Company continues to review and implement cost control measures across the operations and corporate offices to improve operating cash flow and enhance the Company's working capital position.

2015 OPERATING SUMMARY & HIGHLIGHTS

	2015 Revised Guidance	2015 Actual
Consolidated		
Brazilian Reais vs US dollar foreign exchange rate	2.5	3.3
Gold production (ounces)	89,500	90,421
Average head grade (g/t)	3.30-3.75	3.67
Ore processed (t)	925,000	875,000
Recovery rate (%)	90%	90%
Cash operating costs (per ounce produced)[1]	$800-$900	$ 694
All-in sustaining costs (per ounce sold)[1]	$1,100-$1,200	$ 1,088
Definition/delineation drilling (metres)	34,000	36,238
Turmalina		
Gold production (ounces)	53,500	50,659
Average head grade (g/t)	4.00-4.25	4.25
Ore processed (t)	475,000	406,000
Recovery rate (%)	90%	91%
Cash operating costs (per ounce produced)[1]	$640-$700	$ 540
All-in sustaining costs (per ounce sold)[1]	$900-$1,000	$ 890
Definition/delineation drilling (metres)	25,000	25,603
Caeté		
Gold production (ounces)	36,000	39,762
Average head grade (g/t)	2.40-2.90	2.92
Ore processed (t)	450,000	469,000
Recovery rate (%)	90%	90%
Cash operating costs (per ounce produced)[1]	$1,075-$1,175	$ 891
All-in sustaining costs (per ounce sold)[1]	$1,200-$1,300	$ 1,027
Definition/delineation drilling (metres)	9,000	10,635

[1] Cash operating costs and all-in sustaining costs are non-gaap financial performance measures with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A.

Operational Highlights

Strong Gold Production

- Consolidated gold production during Q4 and FY 2015, was 23,169 and 90,421 ounces respectively, compared to 22,456 and 92,057 ounces in the corresponding 2014 periods.
- Due to increasing average grade, Turmalina increased production by 20% in Q4 2015 resulting in 14,449 ounces of gold produced, compared to 12,067 ounces in the corresponding 2014 period. The higher grades were partially offset by lower tonnes processed during December 2015, primarily due to the unexpected shut down of Mill #2 for repairs and maintenance.
- Due to lower tonnes processed, Caeté produced 8,720 ounces of gold in Q4 2015, compared to 10,389 ounces in Q4 2014, for a total of 39,762 ounces in FY 2015, exceeding 2015 annual guidance of 36,000 ounces.

Improving Grades with Lower Tonnage

- Due to the Company's continued efforts to implement grade control, a 30% increase in consolidated average head grade was realized in Q4 2015, compared to the same period in 2014.
- Total processing was 216,000 tonnes in Q4 2015 (Q4 2014 – 258,000 tonnes) at an average head grade of 3.96 grams per tonne (Q4 2014 – 3.04 grams per tonne).
    - In Q4 2015, Turmalina processed 100,000 tonnes (Q4 2014 – 117,000 tonnes) at an average head grade of 4.79 grams per tonne (Q4 2014 – 3.60 grams per tonne).
    - Caeté processed 116,000 tonnes in Q4 2015 (Q4 2014 – 141,000 tonnes) at an average head grade of 2.59 grams per tonne (Q4 2014 – 2.57 grams per tonne).
- Total tonnes processed decreased by 16% in Q4 2015, compared to the same period in 2014, primarily due to an increased focus on controlled dilution and thereby mining higher grade.
- A 21% increase in average head grade was realized during the FY 2015, compared to the same period in 2014.
- A total of 875,000 tonnes was processed during FY 2015 (FY 2014 – 1,038,000 tonnes) at an average head grade of 3.67 grams per tonne (FY 2014 – 3.03 grams per tonne).

Postive Drill Results at Pilar and Turmalina Gold Mines; 310% Increase in Pilar Reserves

- During 2015, the Company completed a streategically targeted drilling campaign at the Pilar and Turmalina gold mines with the goal of gaining increased confidence in the mineral resources and reserves, to facilitate better mine planning for 2016. As a result, the following high-grade drill results were announced:
    - *Turmalina Gold Mine:* On April 8, 2015, the Company announced multiple high-grade drill intercepts generated within the current indicated resource envelope. Significant drill intercepts include 23.71 grams per tonne gold ("g/t Au") over 14 metres, including 41.27 g/t Au over 7.6 metres, 23.62 g/t Au over 8.8 metres and 20.15 g/t Au over 8.7 metres.
    - *Pilar Gold Mine:* On April 27, 2015, the Company announced multiple high-grade drill intercepts, including 18.22 g/t Au over 7.4 metres, 14.04 g/t Au over 8.7 metres, 10.63 g/t Au over 13.6 metres, 20.98 g/t Au over 3.7 metres, and 18.22 g/t Au over 7.4 metres, including 27.19 g/t Au over 4.3 metres. On August 17, 2015, the Company announced the final set of drill results from the 2015 exploration program, including 13.74 g/t Au over 9.8 metres and 9.48 g/t Au over 11.15 metres.
- The exploration drilling results enabled the Company to announce a 310% increase in total Mineral Reserves to 172,000 ounces at Pilar, with a 63% increase in grade to 4.39 g/t Au, in its 2015 year-end mineral resource and mineral reserve estimate announced March 4, 2016. Based on the strong exploration drilling results and increased reserves and resources, primary and secondary development that had been suspended in Q4 2014, has been reinitiated at Pilar during Q1 2016.

OUTLOOK FOR 2016

Looking ahead to 2016, following the announcement of a new CEO in December 2015, the Company is focused on delivering positive and sustainable physical performance, profitability, and cost optimization. The Company has established the following strategic initatives that are expected to create significant shareholder value:

- **Safe and Sustainable Physical Results:** Delivering on the near term mine plans to drive positive physical results and ensure a sustainable production profile.

- **Generating Positive Cash Flow:** Operations are focused on generating cash flow, after sustaining capital, with mine plans focused on achieving the right amount of tonnes, at the right grade and with exploration programs that ensure sustainability. Management is focused on expanding operational excellence programs and developing a value-driven culture to increase operating cash flow.

- **Strategic Investment:** Investment in exploration and development will be prioritized to targets that build confidence and provide a positive return in our mine plans in the near to medium term.

- **Cost Reduction and Optimization:** Developing a value-driven culture that will change decision making to ensure all capital expenditures deliver positive returns to the Company. Cost control measures will be reviewed and implemented across the operations to centralize and streamline various functions company-wide.

- **Divesting of Non-Core Assets:** Reviewing opportunities to divest non-core assets and land positions across all sites to minimize carrying costs of these assets.

2016 Guidance

The following is the Company's production and cost guidance for 2016 and represents achievable results from operations:

	Low	High
Gold production (ounces)	90,000	95,000
Ore processed (t)	875,000	900,000
Recovery rate (%)	90%	90%
Cash operating costs (per ounce produced)[1,2]	$ 700	$ 750
All-in sustaining costs (per ounce sold)[1,2]	$ 950	$ 1,000
Sustaining capital expenditures ($'000)	$ 23,000	$ 25,000
Definition/delineation drilling (metres)	28,000	32,000

[1] Cash operating costs and all-in sustaining costs are non-gaap financial performance measures with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A.
[2] Cost guidance has been prepared on the basis of a foreign exchange rate of 3.8 Brazilian Reais vs. the US dollar.

BACKGROUND

Jaguar is a junior gold producer focused on the operation and development of gold assets in Brazil. The Company has two operating units being the Turmalina and Caeté Gold Mine Complexes. The Paciência Gold Mine Complex, comprised of one processing facility and mine, is on care and maintenance. Additionally, the Gurupi development project continues to be reviewed. The Company holds mineral rights over approximately 204,600 hectares.

As a result of substantial capital investment, accumulated operating losses, and accumulating unserviceable debt, in late 2013 the Company entered into a pre-negotiated plan of compromise with its bondholders, which included a $50.0 million back-stopped financing and a Support Agreement. In conjunction with those agreements, the Company declared insolvency in December 2013 and on April 22, 2014, it emerged from insolvency with almost 83% of its debt eliminated, 9% restructured, and a recapitalized balance sheet (refer to the Financial Restructuring Plan section of this MD&A).

On December 16, 2015, Mr. Rodney Lamond was appointed as Chief Executive Officer. Prior to becoming the CEO of Jaguar, Mr. Lamond was a board director of Jaguar. Mr. Lamond is a Professional Mining Engineer who brings more than 27 years of mining experience and has held senior management positions overseeing or stationed at operations in Peru, Chile, Honduras, Mexico, USA, Canada, and Australia. From 2013 to 2015, Mr. Lamond was the President and Chief Executive Officer of Crocodile Gold Corp. before the July 2015 business combination of Crocodile Gold Corp. and Newmarket Gold Inc.

On February 19, 2016, Mr. Hashim Ahmed was appointed as Interim Chief Financial Officer after Mr. Derrick Weyrauch stepped down as Chief Financial Officer to pursue other opportunities. Mr. Ahmed joined the Company in August 2014 and has previously served as Jaguar's Vice President of Finance.

Management believes there is excellent potential to decrease the operating cost profile of Jaguar in a reasonable timeframe; however, success is dependent on the prudent deployment of capital spending to advance drilling and development ahead of operations. Management's belief is supported by confidence in the geological endowment of the Company's existing land positions surrounding its current mining operations.

The Company is focused on optimizing existing mining operations through increasing the average ore grade mined and mining profitable ore rather than pushing the operations teams to fill underutilized processing capacity. Over time and through exploration of the under explored brownfield assets, the Company will focus on prudently increasing production, so that it can amortize fixed costs over a larger production base, and thereby reduce costs on a per ounce basis.

During the first quarter of 2015, Jaguar announced that its board of directors (the "Board") formed a special committee ("Special Committee") to initiate a strategic review process to explore alternatives for the enhancement of shareholder value. The Special Committee continues to consider various alternatives for the Company, including: merger opportunities, the potential sale of certain of the Company's assets, potential partnership or joint venture agreements, and any other options with the objective of maximizing value for the Company's shareholders.

The Company does not intend to provide further updates with respect to this process unless and until the Board approves a transaction arising from the strategic review, together with recommendations. The Company's ongoing development and production activities at its operations in Brazil will be unaffected by this strategic review process.

REVIEW OF OPERATING AND FINANCIAL RESULTS

Turmalina Gold Mine Complex

Turmalina Quarterly Production

($ thousands, except where indicated)	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Ore processed (t)	**100,000**	101,000	94,000	111,000	**117,000**	107,000	107,000	111,000
Average head grade (g/t)[1]	**4.79**	4.77	3.91	3.59	**3.60**	3.69	4.14	3.24
Average recovery rate (%)	**91%**	91%	90%	90%	**90%**	91%	91%	88%
Gold (oz)								
Produced	**14,449**	13,994	10,420	11,796	**12,067**	11,336	13,190	11,374
Sold	**15,527**	13,485	9,610	13,196	**11,243**	11,710	13,481	11,513
Cash operating costs (per oz produced)[2]	**$ 410**	$ 497	$ 656	$ 649	**$ 656**	$ 750	$ 696	$ 857
Cash operating costs (per tonne)[2]	**$ 57**	$ 69	$ 73	$ 69	**$ 68**	$ 79	$ 86	$ 88

[1] The 'average head grade' represents the recalculated head-grade milled.

[2] Cash operating costs is a non-gaap financial performance measure with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A.

During the fourth quarter of 2015, Turmalina produced 14,449 ounces of gold compared to 12,067 ounces in the corresponding 2014 period, an increase of 20% or 2,382 ounces. The increase in ounces produced was a result of a 33% increase in the average head grade from 3.60 g/t in Q4 2014 to 4.79 g/t in Q4 2015, despite a decrease in the tonnes processed from 117,000 in Q4 2014 to 100,000 in Q4 2015.

The cash operating costs per ounce produced for the fourth quarter of 2015 decreased by 38%, or $246 per ounce, as compared to the same period in prior year, primarily due to higher grade which had an impact of $179 per ounce, and favourable foreign exchange movements as a result of a 51% devaluation of the Brazilian Real (Q4 2015 average exchange rate: R$3.84 per US$ compared to Q4 2014: R$2.54 per US$) which had an impact of $229 per ounce.

The decrease in cash operating costs was partially offset by the following cost increases totaling $162 per ounce: an increase in electricity tarrifs ($41 per ounce), an increase in the cost of materials due to inflation ($65 per ounce), and an increase due to higher maintenance costs ($56 per ounce).

Turmalina Sustaining Capital

($ thousands)	Three months ended December 31,		Twelve months ended December 31,	
	2015	2014	**2015**	2014
Sustaining capital[1]				
Primary development	**$ 3,190**	$ 1,369	**$ 10,336**	$ 6,487
Brownfield exploration	**203**	525	**886**	711
Mine-site sustaining	**1,202**	504	**2,584**	2,719
Sustaining capital[1]	**4,595**	2,398	**13,806**	9,917
Non-sustaining capital[1]	**-**	-	**-**	162
Total capital expenditures	**$ 4,595**	$ 2,398	**$ 13,806**	$ 10,079

[1] Sustaining and non-sustaining capital are non-gaap financial measures with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A. Capital expenditures are in included in our calculation of all-in sustaining costs and all-in costs.

Primary development at the Turmalina mine totaled 965 metres for the fourth quarter of 2015, compared to 625 metres in the comparative 2014 period. On a per metre basis, the cost of primary development increased over the comparative 2014 period. Primary development for the FY 2015 totalled 3,568 metres, compared to 2,521 metres for FY 2014.

Mining

The primary mining method utilized at the Turmalina underground mine is sublevel open stoping with unconsolidated backfill. Our priority is to reduce costs by focusing on ore grade control, minimizing dilution and leaving behind non-profitable or marginal material. A focus on grade control, along with a number of mining and process initiatives, is intended to lower cash operating costs per ounce and improve the overall operating performance. Cost reduction initatives include decreasing the length of development needed from the primary ramp to access ore, postponing the mining of low grade narrow ore bodies that may require additional development, and extraction of high-grade ore by the selective removal of pillars.

A specialized development contractor arrived on site in August 2015 to accelerate the mining of both the new Orebody C ramp to surface and to extend the A Orebody ramp to open up additional resources. In the fourth quarter of 2015, the development contractor completed the Orebody C ramp to surface. This reduced ore haulage and congestion in the top section of the ramp. As a result of adverse ventilation conditions, now largely resolved, development on the deeper ramp below Level 8 in Orebody A continued at a slower rate, which reached close to target ramp development by December 2015.

The previous mining design of stopes separated by rib pillars (developed prior to 2015) resulted in significant quantities of ore being left behind and not mined. With footwall drifts and primary and secondary stopes being installed in 2015 below Level 8, there is now a need for cemented backfill in the primary stopes. Successful trials on surface indicated the ability to backfill primary stopes with good quality cemented rockfill (CRF) exists. There were some concerns regarding fill rates with CRF underground, but a trial carried out in Level 9 of the mine showed that rapid fill rates could be achieved. At the same time, surface trials have been carried out on using a low solids paste (68% solids) that can be produced and distributed with only minor modifications to the existing system. A system for producing filter cake and then re-mixing to paste is in place; however, this distribution system is more suited for thickened tailings rather than paste. The surface trials indicated that to ensure consistent quality paste, a batching process with a controlled shear mixer will need to be incorporated. Because of the need to avoid hauling development waste to surface, it is expected that CRF will be used to fill the bulk of the primary stopes with low density paste for stopes immediately below the sill pillar.

Processing

Ore produced at the Turmalina mine is transported to the adjacent CIL processing plant. The Turmalina plant consists of three ball mills, having capacity of 3,000 tonnes per day, of which two have been operating since January 2016 (Mills #1 and #2) at 1,500 – 1,600 tonnes per day.

During the fourth quarter of 2015, Mill #2 at Turmalina mine was shutdown due to excessive vibration for unscheduled repairs, while Mill #1 continued to operate normally. Mill #2 was subsequently repaired and is now fully functional. As a result of this unscheduled repair, total tonnes processed in Q4 2015 were lower than expected. While Mill #2 was repaired, the Company was stockpiling ore that would have been otherwise processed. This stockpiled ore will be processed in the first half of 2016. Overall, the processing plant maintained a recovery rate of 91% during Q4 2015, which is marginally higher than the 90% recovery rate for Q4 2014, mainly due to the improvement of grind size of the ore.

Caeté Gold Mine Complex

Caeté Quarterly Production

($ thousands, except where indicated)	**Q4 2015**	Q3 2015	Q2 2015	Q1 2015	**Q4 2014**	Q3 2014	Q2 2014	Q1 2014
Roça Grande - Ore processed (t)	**39,000**	44,000	41,000	36,000	**47,000**	48,000	40,000	40,000
Pilar - Ore processed (t)	**77,000**	78,000	75,000	79,000	**94,000**	94,000	116,000	117,000
Caeté - Ore processed (t)	**116,000**	122,000	116,000	115,000	**141,000**	142,000	156,000	157,000
Caeté - Average head grade (g/t)[1]	**2.59**	3.17	3.00	3.16	**2.57**	2.71	2.40	2.65
Average recovery rate (%)	**90%**	89%	90%	89%	**88%**	88%	88%	88%
Gold (oz)								
Produced	**8,720**	11,241	10,262	9,540	**10,389**	11,038	10,677	11,985
Sold	**8,889**	11,674	9,574	11,032	**10,157**	10,971	10,521	12,668
Cash operating costs (per oz produced)[2]	**$ 847**	$ 785	$ 937	$ 1,005	**$ 1,170**	$ 1,194	$ 1,281	$ 986
Cash operating costs (per tonne)[2]	**$ 67**	$ 72	$ 83	$ 83	**$ 86**	$ 93	$ 88	$ 75

[1] The 'average head grade' represents the recalculated head-grade milled.

[2] Cash operating costs is a non-gaap financial performance measure with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A.

The Caeté Gold Mining Complex has two underground mines (Pilar and Roça Grande). Pilar primarily uses sub-level open stoping with backfill, while Roça Grande (“RG”) exclusively uses the mechanized horizontal cut and fill mining method. The Pilar mine provides 1,000 tonnes per day, or two-thirds of the Caeté complex ore, while the RG mine provides 500 tonnes per day from the underground RG-1 deposit.

During the fourth quarter of 2015, Caeté produced 8,720 ounces of gold compared to 10,389 ounces in the corresponding 2014 period. Also during the quarter, Caeté processed 116,000 tonnes (Q4 2014 – 141,000 tonnes) at an average head grade of 2.59 g/t (Q4 2014 – 2.57 g/t).

Cash operating costs decreased $323 per ounce produced or 28% in the fourth quarter of 2015 to $847 per ounce produced as compared to $1,170 per ounce for the same period in 2014, mainly due to higher average grades processed, which had an impact of $22 per ounce, and favourable foreign exchange movements as a result of a 51% devaluation of the Brazilian Real (Q4 2015 average exchange rate: R$3.84 per US$ compared to Q4 2014: R$2.54 per US$) which had an impact of $380 per ounce.

The decrease in cash operating costs per ounce produced was partially offset by an increase in electricity tarrifs ($26 per ounce), and the increase in costs as a result of the allocation of all mine-site fixed overheads to mining activity at Caeté due to the suspension of primary development at Pilar and RG ($53 per ounce).

Caeté Sustaining Capital

($ thousands, except where indicated)	Three months ended December 31,		Twelve months ended December 31,	
	2015	2014	**2015**	2014
Sustaining capital [1]				
Primary development	**$ 54**	$ 1,057	**$ 780**	$ 6,400
Brownfield exploration	**154**	1,123	**2,367**	2,172
Mine-site sustaining	**795**	578	**1,193**	2,880
Sustaining capital[1]	**1,003**	2,758	**4,340**	11,452
Non-sustaining capital[1]	**-**	-	**-**	-
Total capital expenditures	**$ 1,003**	$ 2,758	**$ 4,340**	$ 11,452

[1] Sustaining and non-sustaining capital are non-gaap financial measures with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A. Capital expenditures are in included in our calculation of all-in sustaining costs and all-in costs.

Primary development at Roça Grande and Pilar was suspended during Q4 2014. Minor development activity was carried out in the third and fourth quarters of 2015, primarily to support exploration drilling and for capital repairs and rebuilds that were needed to sustain operations.

Mining

During 2015, the average head grade processed at Caeté improved compared to the prior year, primarly due to the discontinuation of mining ore below the marginal cut-off grade. Previously, significantly higher tonnage, including lower grade material, was fed to the plant which had a diluting effect on the grade and profitability. Additional improvement in grade at Pilar was achieved through modifying the shape of the sub-level open stopes to minimize the inclusion of waste at the edge of the plunging ore-shoots. Previous initiatives to reduce dilution from overbreak had proven successful and there were some gains from the update of the geological model.

The Roça Grande mining activity has historically focused on surface exposures of gold deposits, in the form of outcrops. These outcrops, mined using open-pit mining techniques have had limited exploration, focusing solely on the immediate down-dip projection of gold mineralization. The RG operations team continues to evaluate more effective methods to mine the 1.0 to 2.0 metre wide veins without excessive dilution, using a frontal-attack mechanised cut-and-fill mining method. The Company is currently undertaking a study to assess the merits of continuing RG's mining operations beyond Q1 2016 and anticipates making a decision with regard to the future of RG in the first half of 2016 based on ongoing exploration drilling.

The exploration drilling results enables the Company to announce a 310% increase in total Mineral Reserves to 172,000 ounces at Pilar, with a 63% increase in grade to 4.39 g/t Au, in its 2015 year-end mineral resources and mineral reserve estimate announced March 4, 2016. Based on the strong exploration drilling results and increased reserves and resources, primary and secondary development that had been suspended during Q4 2014, has been resumed at Pilar during Q1 2016. This development will be carried out by the same contractor as at Turmalina. The mobilization of the contractor took place in January 2016.

Processing

Ore produced from these mines is transported to the 2,200 tonnes per day gravity, flotation and Carbon-In-Leach ("CIL") treatment of flotation concentrate processing plant adjacent to the Roça Grande mine, a total distance of approximately 50 kilometres by road from the Pilar mine. This haulage expense is a significant cost and sustainable improvement in grades mined is required in order to make Pilar economical over the long-term at current gold prices.

During 2015, the Caeté plant achieved gold recovery of approximately 90% utilizing gravity, flotation, and Carbon-In-Leach ("CIL") treatment of flotation concentrate. Optimization of the plant offers opportunities for both increased gold extraction and reduced unit processing costs. Various options are being explored and evaluated to better use the currently underutilized processing facility. The Caeté plant is in good operating condition and there is a plan in place to generate sufficient space for the storage of detoxified flotation concentrate tailings beyond mid-2016.

CONSOLIDATED FINANCIAL RESULTS

Selected Quarterly Financial Information[1]

($ thousands, except where indicated)	**Q4 2015**	Q3 2015	Q2 2015	Q1 2015	**Q4 2014**	Q3 2014	Q2 2014	Q1 2014
Revenue	**$ 26,820**	$ 28,126	$ 22,820	$ 28,747	**$ 25,766**	$ 29,015	$ 30,481	$ 31,100
Cost of sales (excluding depreciation)[2]	**(15,397)**	(17,892)	(16,808)	(20,133)	**(23,508)**	(22,312)	(23,274)	(21,337)
Gross margin (excluding depreciation)[2]	**11,423**	10,234	6,012	8,614	**2,258**	6,703	7,207	9,763
Net income (loss)	**1,670**	4,445	(4,383)	(12,946)	**(90,530)**	(9,491)	246,646	(15,755)
Cash flows from operating activities	**6,786**	3,660	1,652	12,151	**(1,156)**	(253)	(8,045)	2,609
Total assets	**183,409**	174,500	179,496	181,131	**195,264**	293,356	308,220	285,372
Total liabilities	**90,624**	83,949	94,077	91,648	**93,676**	101,325	107,522	394,954
Average realized gold price (per ounce)[2]	**1,098**	1,118	1,190	1,187	**1,204**	1,279	1,280	1,288
Cash operating costs (per oz produced)[2]	**574**	626	796	808	**894**	969	958	923

[1] Sum of all the quarters may not add up to the annual total due to rounding.

[2] Average realized gold price, gross margin (excluding depreciation) and cash operating costs are all non-gaap financial performance measures with no standard definition under IFRS. For further information, refer to the Non-IFRS Financial Performance Measures section of the MD&A.

Revenue

($ thousands, except where indicated)	**Three months ended December 31,**			**Twelve months ended December 31,**		
	2015	2014	Change	**2015**	2014	Change
Revenue	**$ 26,820**	$ 25,766	4%	**$ 106,513**	$ 116,362	(8%)
Ounces sold	**24,416**	21,400	14%	**92,988**	92,264	1%
Average realized gold price (per ounce)[1]	**$ 1,098**	$ 1,204	(9%)	**$ 1,145**	$ 1,261	(9%)

[1] Average realized gold price is a non-gaap financial performance measure with no standard definition under IFRS. For further information, refer to the Non-IFRS Financial Performance Measures section of the MD&A.

Revenue for the fourth quarter of 2015 increased 4%, compared to the same period in 2014, mainly due to a 14% increase in ounces sold, offset by 9% reduction in gold price. The 8% reduction in revenue for FY 2015 as compared to FY 2014 was mainly due to the $116 per ounce decrease in the average realized gold price.

The market price of gold is the primary driver of our profitability and our ability to generate free cash flow. During the three months ended December 31, 2015, the market price of gold (London PM Fix) traded in a range from $1,049 to $1,184 and averaged $1,106 per ounce. The price of gold closed at $1,060 per ounce on December 31, 2015, while the average price during the fourth quarter of 2015 reflected a $95 per ounce or 8% reduction as compared to the average market price of $1,201 per ounce for the fourth quarter of 2014.

Production

A total of 216,000 tonnes were processed in the fourth quarter of 2015 (Q4 2014 – 258,000 tonnes) at an average head grade of 3.96 g/t (Q4 2014 – 3.04 g/t), a 30% increase in average head grade compared to the same period in 2014. Total tonnes processed in the fourth quarter of 2015 decreased 16%, compared to the same period in 2014, primarily due to an increased focus on mining higher grade.

A total of 875,000 tonnes were processed during the twelve months of 2015 (FY 2014 – 1,038,000 tonnes) at an average head grade of 3.67 grams per tonne (FY 2014 – 3.03 grams per tonne), an increase of 21% compared to the same period of 2014.

Consolidated Production Costs

($ thousands, except where indicated)	Three months ended December 31,			Twelve months ended December 31,		
	2015	2014	Change	**2015**	2014	Change
Direct mining and processing cost	**$ 14,554**	$ 21,520	(32%)	**$ 67,138**	$ 84,717	(21%)
Mining	**8,614**	13,789	(38%)	**41,791**	54,177	(23%)
Processing	**5,940**	7,731	(23%)	**25,347**	30,540	(17%)
Royalties, production taxes, and others	**843**	1,988	(58%)	**3,092**	5,714	(46%)
Royalty expense and CFEM taxes	**823**	944	(13%)	**3,163**	3,607	(12%)
NRV adjustment and others	**20**	1,044	(98%)	**(71)**	2,107	(103%)
Total cash operating costs[1]	**$ 15,397**	$ 23,508	(35%)	**$ 70,230**	$ 90,431	(22%)
Reclamation recovery	**$ (1,464)**	$ -	100%	**$ (2,903)**	$ -	100%
Depreciation	**3,628**	6,778	(46%)	**16,519**	30,521	(46%)
Total cost of sales	**$ 17,561**	$ 30,286	(42%)	**$ 83,846**	$ 120,952	(31%)
Cash operating costs (per ounce produced)[1]	**$ 574**	$ 894	(36%)	**$ 694**	$ 940	(26%)

[1] Cash operating costs is a non-gaap financial performance measure with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A.

Cash operating costs per ounce of gold produced during the fourth quarter of 2015 were $574 compared to $894 during the fourth quarter of 2014, a decrease of $320 per ounce, or 36%. The decrease in costs was a result of an improvement in the average head grade by 30%, and favourable foreign exchange movements. A 51% devaluation of the Brazilian Real (Q4 2015 average exchange rate: R$3.84 per US$ compared to Q4 2014: R$2.54 per US$) impacted operating cash costs by $299 per ounce.

The decreases in cash operating costs per ounce noted above were partially offset by the following cost increases: higher electricity tarrifs ($34 per ounce), an increase in the cost of materials due to inflation ($21 per ounce), and the allocation of all mine-site fixed overheads to mining activity at Caeté due to the suspension of primary development at Pilar and RG ($68 per ounce).

Operating Expenses

($ thousands)	Three months ended December 31,			Twelve months ended December 31,		
	2015	2014	Change	**2015**	2014	Change
Exploration and evaluation costs	**$ 12**	$ 63	(81%)	**$ 108**	$ 280	(61%)
Care & maintenance costs (Paciência mine)	**203**	545	(63%)	**1,016**	2,181	(53%)
Stock-based compensation	**350**	333	5%	**798**	1,557	(49%)
General and administration expenses	**2,643**	2,358	12%	**10,863**	12,919	(16%)
Restructuring fees	**723**	925	(22%)	**723**	11,231	(94%)
Amortization	**(422)**	258	(264%)	**77**	1,062	(93%)
Changes to legal provisions and recoverable VAT	**1,121**	(7,877)	(114%)	**10,933**	(3,295)	(432%)
Impairment reversal	**(43,979)**	-	100%	**(43,979)**	-	100%
Impairment charges	**48,323**	88,938	(46%)	**48,323**	88,938	(46%)
Other operating expenses	**526**	3,747	(86%)	**2,296**	7,426	(69%)
Total operating expenses	**$ 9,500**	$ 89,290	(89%)	**$ 31,158**	$ 122,299	(75%)

Care & Maintenance Costs – Paciência Gold Complex

The Paciência mining complex remained on care and maintenance during the fourth quarter of 2015. No gold has been produced since the third quarter of 2012, when the mine was put on care and maintenance. No underground development or drilling work was carried out by the Company at the Paciência mine during the fourth quarter of 2015. The complex has been secured and the facilities are preserved and patrolled. A limited maintenance staff periodically turns the mills and equipment to maintain the plant in working order.

General and Administration Expenses

The general and administration ("G&A") expenses exclude mine-site administrative costs which are charged directly to operations and include legal, accounting, costs to maintain offices and personnel in Belo Horizonte, Brazil and Toronto, Canada, and other corporate costs associated with being a publicly-traded company.

($ thousands)	Three months ended December 31,			Twelve months ended December 31,		
	2015	2014	Change	**2015**	2014	Change
Special committee fees and costs	**$ 40**	$ -	100%	**$ 1,273**	$ -	100%
Director's fees	**44**	34	29%	**459**	518	(11%)
Audit related and insurance	**220**	250	(12%)	**1,103**	1,600	(31%)
Corporate office (Toronto)	**804**	620	30%	**2,086**	2,780	(25%)
Belo Horizonte office	**1,535**	1,454	6%	**5,942**	8,021	(26%)
Total G&A expenses	**$ 2,643**	$ 2,358	12%	**$ 10,863**	$ 12,919	(16%)

For the fourth quarter of 2015, the total G&A expenses were 12% higher as compared to the same period in 2014. Costs associated with the Belo Horizonte office were 6% higher in the fourth quarter of 2015, due to the net impact of the reallocation of certain activities from the mine sites to the Belo corporate office in Q4 2015 and the devaluation of the Brazilian Real. Costs for the corporate office in Toronto were higher in Q4 2015 compared to Q4 2014 due to third party services being engaged for investor relations and data room set-up to support the strategic review process. Total G&A expenses were lower by 16% at $10.9 million for FY 2015, which was due to the net impact of lower spending in US dollars due to the devaluation of Brazilian Reais and Canadian dollar, general cost cutting measures adopted by management, and special committee fees and costs. Going forward in 2016, the new management is focusing on cost reduction in both Toronto and Belo Horizonte corporate office expenses.

Restructuring Costs

($ thousands)	Three months ended December 31,			Twelve months ended December 31,		
	2015	2014	Change	**2015**	2014	Change
Restructuring costs	**$ 723**	$ 925	(22%)	**$ 723**	$ 11,231	(94%)

Restructuring costs in 2015 represent the severance accrual for the outgoing CEO in Q4 2015. Restructuring costs in 2014 were primarily related to fees for the capitalization and financing under the CCAA Plan, mainly legal fees, financial consulting expenses, and severance costs.

Changes to Legal and Recoverable Taxes Provisions

($ thousands)	Three months ended December 31,			Twelve months ended December 31,		
	2015	2014	Change	**2015**	2014	Change
Changes to legal provisions	**$ 774**	$ 9,792	(92%)	**$ 10,365**	$ 13,600	(24%)
Changes to recoverable taxes provision	**347**	(17,669)	(102%)	**568**	(16,895)	(103%)
Changes to legal and recoverable taxes provisions	**$ 1,121**	$ (7,877)	(114%)	**$ 10,933**	$ (3,295)	(432%)

Legal Provisions

As at December 31, 2015, there were 502 employee-initiated lawsuits active against the Company, largely related to disputed wages. Based on management's assessment of the likelihood of loss related to 411 lawsuits, the Company has recorded approximately $17.8 million as labour legal contingencies as at December 31, 2015 ($5.3 million is classified as a current liability as at December 31, 2015).

During Q4 2015, 47 lawsuits were initiated. The Company paid approximately $250,000 in appeal deposits, $150,000 paying settlements instalments, $503,000 with respect to final decisions, and $65,000 for other costs such as social security, income tax, expert fees, etc. The total amount spent in the fourth quarter of 2015 was $968,000 in comparison to $1.0 million in Q4 2014.

Recoverable Taxes Provision

Certain taxes paid in Brazil on consumables and property, plant, and equipment generate tax credits through various mechanisms. The Company is currently working on several initiatives to ensure optimum utilization of those tax credits, which includes assessment of the tax credits for offset against taxes otherwise payable and restitution in cash.

A valuation provision for recoverable taxes is prepared on a quarterly basis. The calculation takes into account various factors including the limited methods to recover such taxes, the length of time it will take to recover such taxes and the estimated operating tenure of the Company. Any provision reduces the net carrying value of recoverable taxes to their estimated present value based on the manner and timing of expected recovery, discounted at Brazilian Selic rate as at the quarter end.

In 2014, the Company initiated procedures in respect of recovery of its Brazilian Federal Value Added Tax ("VAT") input tax credits with respect to the years 2009 to 2011. As a result of these efforts, during the first quarter of 2015, the Company obtained a VAT cash refund of approximately $6.3 million. In the second and third quarters of 2015, the Company received additional cash refunds of approximately $1.5 million and $0.4 million, respectively. The movement in the provision for recoverable taxes during the three months and year ended December 31, 2015 considers these refunds and possibility of additional refunds, offsets of certain income taxes payable, and the impact of changes in the discount rate.

In 2014, the Company also filed an administrative application to certify tax credits in relation to *Imposto sobre circulação de mercadorias e prestação de serviços* ("ICMS") in the amount of approximately R$14 million ($3.5 million) which, upon certification, may be freely used to offset future ICMS taxes owed for equipment and asset purchases, where those items are manufactured in the state of Minas Gerais.

As at December 31, 2015, gross recoverable taxes (which are primarily denominated in Brazilian Reais) and also include Canadian HST recoverable of $1.2 million, amounted to $22.7 million (December 31, 2014 – $41.8 million). Also as at December 31, 2015, the provision for recoverable taxes was approximately $6.3 million (December 31, 2014 – $9.8 million). Consequently, the book value of recoverable taxes as at December 31, 2015 was $16.3 million (December 31, 2014 – $32.0 million).

Impairment and Impairment Reversal

The Turmalina, Paciência, and Caeté complexes are each cash generating units ("CGUs") which include property, plant and equipment, mineral rights, deferred exploration costs, and asset retirement obligations net of amortization. The CGUs also include mineral exploration project assets relating to properties not in production such as mineral rights and deferred exploration costs. A CGU is generally an individual operating mine or development project.

During the year ended December 31, 2015, the Company identified the significant increase in the reserve and resource base of the Pilar gold mine, resulting in an extension of the life of mine ("LOM"), as an indicator of a potential reversal to an impairment recognized against Caeté's carrying value for the year ended December 31, 2014. Consequently, the Company performed an assessment to determine the recoverable amount of its mine operations for a potential impairment reversal by comparing the carrying value of the Caeté project to the discounted cash flows expected from the use and eventual disposition of those assets and liabilities. The recoverable amount was determined to be the fair value less costs to dispose ("FVLCD") and management's estimate of the FVLCD is classified as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique.

The significant assumptions used in determining the recoverable amount of the project were LOM production profiles, future gold prices, reserves and resources, discount rates, foreign exchange rates, and capital expenditures. The estimates of future cash flows were derived from the most recent LOM plans which extend to 2019 for Pilar. LOM plans are typically developed annually and are based on management's current best estimates of optimized mine and processing plans, future operating costs, and capital expenditures. The Company bases its future gold price estimate with reference to forward prices and industry analyst consensus. For the determination of the impairment reversal, a gold price estimate of $1,150 was used for 2016, and $1,250 for 2017 and beyond. A discount rate of 9.61% was used to present value the estimated future cash flows from the operation.

The assessment indicated that the discounted cash flows of the Caeté project exceeded the carrying value of the project as at December 31, 2015, and consequently an impairment reversal of $44.0 million was recorded. The impairment reversal for the year ended December 31, 2015 was allocated as follows: $39.9 million to property, plant and equipment and $4.1 million to mineral exploration projects

The Company also completed a review of the Gurupi project during the year ended December 31, 2015, and determined that the carrying amount of the asset was unlikely to be recovered in full from successful development or by sale as the Company has no definitive plans to develop the project in the current and foreseeable economic environment. The impairment test was carried out using market comparable values for the in-situ ounces (i.e. Total Enterprise Value per ounce), for companies with similar projects as Gurupi (low grade bulk tonnage, open pit). Based on the results of the impairment test, the Company recorded an impairment charge of $48.3 million related to the Gurupi project (December 31, 2014 - $nil).

For the year ended December 31, 2014, the Company identified the decrease in the long-term gold price assumption and an increase in cash operating costs as an indicator of a potential impairment of the carrying value of the Caeté project. Consequently, the Company performed an assessment to determine the recoverable amount of the Caeté project for a potential impairment by comparing the carrying value of the project to the discounted cash flows expected from the use and eventual disposal of those assets and liabilities. For the determination of the impairment, a gold price estimate of $1,200 was used for 2015, and $1,300 for 2016 and beyond. A discount rate of 9.87% was used to present value the estimated future cash flows from the operation. The assessment indicated that the carrying value of the Caeté project exceeded the recoverable amount of the project as at December 31, 2014, and consequently an impairment of $88.9 million was recorded. The impairment for the year ended December 31, 2014 was allocated as follows: $86.8 million to property, plant and equipment and $2.1 million to mineral exploration projects.

Non-Operating Expenses

($ thousands)	Three months ended December 31,				Twelve months ended December 31,			
		2015	2014	Change		**2015**	2014	Change
Foreign exchange loss (gain)	**$**	**1,262**	$ 88	1334%	**$**	**(5,608)**	$ 174	(3323%)
Financial instruments gain		**(133)**	(6,956)	(98%)		**(171)**	(272,818)	(100%)
Finance costs		**7,554**	3,724	103%		**10,933**	12,479	(12%)
Other non-operating (income) expenses		**(112)**	146	(177%)		**(126)**	(315)	(60%)
Non-operating expenses (income)	**$**	**8,571**	$ (2,998)	(386%)	**$**	**5,028**	$ (260,480)	(102%)

During the fourth quarter of 2015, finance costs represent interest on debt, amortization of discount and transaction costs on the convertible debentures, the change in the fair value of the Convertible Senior Secured Debentures, and accretion expense. The decrease in interest expense and amortization of borrowing costs for the three months and year ended December 31, 2015 compared to the same periods in 2014 is due to the implementation of the CCAA plan in 2014 and the overall reduction of the debt. This reduction in interest expense was partially offset by the transaction costs incurred in relation to the Convertible Senior Secured Debentures, which closed on in Q4 2015.

Accounting for Convertible Senior Secured Debentures

On October 27, 2015, the Company closed financing of the Convertible Senior Secured Debentures (the “Debentures”) at a price of $1,000 per Debenture, for aggregate proceeds of $21.5 million. The Debentures will mature after three years following the closing date and bear an interest rate of 12% per annum, payable in cash on a quarterly basis. The Debentures are convertible at the holder’s option into common shares of the Company, at a ratio of 8,781 common shares per $1,000 of the principal amount. The Debentures can be redeemed after the completion of 12 months (October 28, 2016 or the “Call Date”), and prior to the maturity date, in cash in whole or in part. The redemption price is 120% of the principal amount of the Debentures outstanding within one year after the Call Date, and 110% thereafter, plus, in each case, any accrued and unpaid interest thereon. The Debentures include a general security agreement over all of the Company’s and its subsidiaries' present and future assets, delivery of the shares of the Company’s subsidiaries, and loan guarantees by the Company’s subsidiaries. Within 30 days following the occurrence of a Change in Control, the Company shall be obligated to offer to purchase all of the Debentures then outstanding. The offer price shall be 120% of the principal amount plus accrued interest to-date if the payment date occurs prior to October 27, 2016, or 110% thereafter.

Under IFRS, the Debentures qualify as hybrid instruments, given that they contain a debt component and a debenture liability related to the conversion option and hence fall under the scope of IAS 39. Under IAS 39, an entity has the option to designate a financial instrument (financial asset or financial liability) to be measured at fair value through profit or loss, provided such a designation results in more relevant information for the user of the financial statements, or measure each instrument separately. If the election is to be measured at fair value, all of the costs associated with the transaction should be charged to profit or loss on initial recognition. However, the option to designate is irrevocable, that is, an entity cannot change this option subsequent to the initial recognition.

The Company has chosen to designate the Debentures to be measured at fair value through profit or loss. Upon initial recognition, the Company recorded the Debentures at their fair value of $21.5 million which was the consideration received for the instrument at the inception date. The transaction costs of $2.1 million, which include $0.8 million of cash finder’s fee, $0.2 million of finder’s warrants, and $1.1 million of legal costs, were immediately charged as an expense upon closing.

Subsequent to the initial measurement, at each reporting period the financial liability is measured at fair value in its entirety. The debt portion of the instrument is measured using the discounted cash flow model, while the conversion option is measured using the Black-Scholes model. The following inputs were used for both the models upon initial recognition and as at December 31, 2015:

Inputs	Values at October 27, 2015	Values at December 31, 2015
Black-Scholes Model		
Remaining contractual life (in years)	3.00	**2.83**
Volatility (%)	60%	**60%**
Risk free discount rate (%)	0.52%	**0.52%**
Share price at period end (Cdn$/share)	0.12	**0.165**
Conversion price (Cdn$/share)	0.15	**0.15**
Discounted Cash Flow Model		
Annual discount rate	27.40%	**27.40%**

The increase in the share price to Cdn$0.165 per share resulted in an increase in the fair value of the financial liability by $4.8 million, with a corresponding increase in the expense through profit or loss. All other variables remaining the same, in subsequent periods a change in the share price, discount rate, and reduction in the remaining contractual life of the liability at each reporting period will cause a change in the fair value of the financial instrument. An increase or decrease in the period-end share price by Cdn$0.01 will result in an increase or decrease in the fair value of the option of approximately $1 million. An increase or decrease in the period-end discount rate by 1% will result in an increase or decrease in the fair value of the debt of approximately $0.3 million.

Taxes

Brazilian Taxes

Brazilian tax regulation involves three jurisdictions and tax collection levels: the Federal, State, and Municipal levels. The main taxes levied are: corporate income tax with companies generally subject to income tax at a rate of 25% and social contribution tax on the net profit at a current rate of 9%. There are several government incentives for start-up projects in Brazil, such as subsidized loan financing and tax exemptions or reductions, which vary according to the characteristics and location of each project. International investors have equal access to these incentives along with local investors.

Government Royalty

A federal 1% royalty, Compensação Financeira pela Exploração de Recursos Minerais ("CFEM"), is levied on gold production. The rate is calculated on the gross gold sale proceeds less refining charges and insurance, as well as any applicable sales taxes

Income and Deferred Taxes Expenses

($ thousands)	Three months ended December 31,			Twelve months ended December 31,		
	2015	2014	Change	**2015**	2014	Change
Current income tax expense (recovery)	**$ 391**	$ (1,661)	(124%)	**$ 1,327**	$ (9)	(14844%)
Deferred income tax (recovery) expense	**(10,873)**	1,379	(888%)	**(3,634)**	2,737	(233%)
Income tax (recovery) expense	**$ (10,482)**	$ (282)	3617%	**$ (2,307)**	$ 2,728	(185%)

The income tax recovery of $10.5 million for the fourth quarter of 2015 primarily relates to the deferred tax impact of an impairment charge on the MCT property offset by the current income tax expense in MTL. The balance sheet reflects a deferred income tax liability of $2.5 million as at December 31, 2015 (December 31, 2014 – $8.3 million).

The income tax provision is subject to a number of factors, including the allocation of income between different countries, different tax rates in various jurisdictions, the non-recognition of tax assets, foreign currency exchange rate movements, changes in tax laws, and the impact of specific transactions and assessments. Due to the number of factors that can potentially impact the effective tax rate and the sensitivity of the tax provision to these factors as discussed above, it is expected that the Company's effective tax rate will fluctuate in future periods.

REVIEW OF FINANCIAL CONDITION

Outstanding Debt

Total debt outstanding as at December 31, 2015 was $41.2 million (of which $26.3 million was the Convertible Senior Secured Debentures), compared to $31.0 million as at December 31, 2014.

Convertible Senior Secured Debentures

On October 27, 2015, the Company closed an over-subscribed financing of the Convertible Senior Secured Debentures. The Company raised aggregate gross proceeds of $21.5 million, of which approximately $8.4 million was paid to Renvest to transfer its interest in its credit facility and security interest with the Company to the lendors in the financing, which facility was amended and restated under the indenture governing the debentures.

The Company plans to use the remainder of the net proceeds of the financing of approximately $11.2 million, after paying the legal and closing costs, to advance asset optimization plans in conjunction with the Company's ongoing development and production activities, and for general corporate purposes.

Liquidity and Cash Flow

The Company had working capital of $2.0 million as at December 31, 2015 (working capital deficiency of $23.2 million as at December 31, 2014). As at December 31, 2015, the Company had cash and cash equivalents of $15.3 million compared to cash and gold bullion of $9.0 million as at December 31, 2014.

($ thousands)	**December 31, 2015**	December 31, 2014
Cash and cash equivalents	**$ 15,319**	$ 7,161
Gold bullion	**-**	1,801
Cash and gold bullion	**$ 15,319**	$ 8,962
Non-cash working capital:		
Other current assets:	**19,149**	31,263
Inventory	12,038	19,175
Recoverable taxes	3,161	10,614
Others	3,950	1,474
Current liabilities:	**(32,489)**	(63,466)
Accounts payable and accrued liabilities	(12,991)	(16,049)
Notes payable	(13,582)	(29,413)
Other provisions and liabilities	(5,338)	(16,605)
Other current liabilities	(578)	(1,399)
Working capital (deficiency)	**$ 1,979**	$ (23,241)

The Company will review and implement cost control measures across the operations and corporate offices to improve operating cash flow and enhance the Company's working capital position.

The use of funds during the three months and year ended December 31, 2015 is outlined below:

($ thousands)	Three months ended December 31,		Twelve months ended December 31,	
	2015	2014	**2015**	2014
Operating inflows (outflows)	**$ 6,786**	$ (1,165)	**$ 24,249**	$ (6,840)
Financing activities				
Share issuance	**$ -**	$ -	**$ -**	$ 50,000
Net change in debt	**12,225**	(3,630)	**4,774**	(17,757)
Interest paid	**(701)**	(2,005)	**(2,406)**	(5,615)
Decrease in restricted cash	**-**	-	**-**	109
Total financing inflows (outflows)	**$ 11,524**	$ (5,635)	**$ 2,368**	$ 26,737
Investing activities				
Capital expenditures on equipment and brownfield exploration	**$ (5,932)**	$ (5,381)	**$ (18,861)**	$ (22,421)
Net proceeds from asset sales	**43**	256	**162**	720
Total investing outflows	**$ (5,889)**	$ (5,125)	**$ (18,699)**	$ (21,701)
Effect of exchange rate	**9**	(18)	**240**	(50)
Increase (decrease) in cash and cash equivalents	**$ 12,430**	$ (11,943)	**$ 8,158**	$ (1,854)

The improvement of $8.0 million in operating cash flows for the fourth quarter of 2015 compared to the same period in 2014 is mainly due to lower costs due to improved grade, lower tonnage, and the benefit realized from the decline in the value of Brazilian Reais as compared to the US dollar.

The decrease in investing activities during FY 2015 compared to FY 2014 is primarily due to the suspension of primary development at Pilar and Roça Grande and lower equipment capital spending to preserve cash.

A brief summary of capital spending is outlined below:

($ thousands)	Three months ended December 31,		Twelve months ended December 31,	
	2015	2014	**2015**	2014
Sustaining capital[1]				
Primary development	**$ 3,244**	$ 2,426	**$ 11,116**	$ 12,887
Brownfield exploration	**357**	1,649	**3,253**	2,883
Mine-site sustaining				
Engineering	**252**	360	**339**	982
Equipment	**1,745**	721	**3,438**	4,617
Sustaining capital[1]	**5,598**	5,156	**18,146**	21,369
Non-sustaining capital (including capital projects)[1]				
Gurupi	**128**	132	**499**	506
Others	**206**	93	**216**	546
Non-sustaining capital[1]	**334**	225	**715**	1,052
Total capital expenditures	**$ 5,932**	$ 5,381	**$ 18,861**	$ 22,421

[1] Sustaining and non-sustaining capital are non-gaap financial measures with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A. Capital expenditures are included in the calculation of all-in sustaining costs and all-in costs.

Annual Review

($ thousands, except per share amounts)	2015	2014	2013	Change 2015 vs 2014	Change 2014 vs 2013
	Year Ended December 31,				
Revenue	**$ 106,513**	$ 116,362	$ 134,140	$ (9,849)	$ (17,778)
Gross profit (loss)	**22,667**	(4,590)	12,786	27,257	(17,376)
Net (loss) income	**(11,212)**	130,863	(249,307)	(142,075)	380,170
Basic (loss) income per share	**(0.10)**	1.69	(251.29)	(1.79)	252.98
Diluted (loss) income per share	**(0.10)**	1.64	(251.29)	(1.74)	252.93
Current assets	**34,468**	40,225	44,635	(5,757)	(4,410)
Non-current assets	**148,941**	155,039	250,153	(6,098)	(95,114)
Total assets	**183,409**	195,264	294,788	(11,855)	(99,524)
Current liabilities	**32,489**	63,466	361,180	(30,977)	(297,714)
Non-current liabilities	**58,135**	30,210	27,167	27,925	3,043
Total liabilities	**90,624**	93,676	388,347	(3,052)	(294,671)

The continued volatility in the global gold market continues to impact the Company's revenue, year over year. However, the partial impact of the lower gold prices was offset by the sharp devaluation of the Brazilian Real as compared to the US dollar during 2015, resulting in gross profit and positive operating cash flows. The net income during 2014 mainly represents a gain on the extinguishment of debt as part of the CCAA restructuring in the second quarter of 2014.

Current assets decreased $5.8 million as at December 31, 2015 compared to December 31, 2014, due to the net impact of the cash recovery of VAT during the year, the increase in cash due to the closure of financing in October 2015, the decrease in inventory, and the devaluation of the Brazilian Real. The decrease in non-current assets is a result of the impact of the devaluation of the Brazilian Real on the value of certain assets and the net impact of the impairment charge/reversal recorded in Q4 2015. Current liabilities reduced due to the repayment of the Renvest loan, the classification of $13.9 million of the other provisions and liabilities as non-current due to the expected timing relating to the provision, and the foreign exchange impact due to the devaluation of the Brazilian Real. The increase in non-current liabilities represents the debenture financing that closed in October 2015 and the classification of other provisions and liabilities.

Asset Retirement Obligations

Mining, extraction, and processing activities normally give rise to obligations for environmental rehabilitation i.e. Asset Retirement Obligations ("ARO"). Rehabilitation work can include facility decommissioning and dismantling; removal or treatment of waste materials; site and land rehabilitation, including compliance with and monitoring of environmental regulations; security and other site-related G&A costs required to perform the rehabilitation work; and operation of equipment designed to reduce or eliminate environmental effects. The extent of work required and the associated costs are dependent on the requirements of relevant authorities and our environmental policies.

Provisions for the cost of the rehabilitation programs are recognized at the time that an environmental disturbance occurs or a constructive obligation is determined. When the extent of disturbance increases over the life of an operation, the provision is accordingly updated. We record an ARO in our financial statements when the environmental disturbance is incurred and capitalize this amount as an increase in the carrying amount of the related asset. AROs are recorded at the expected future cash flows, discounted to their present value using a pre-tax discount rate. The unwinding of the discount, referred to as an accretion expense, is included in finance costs and results in an increase in the amount of the provision. Accretion expense for operating mines is disclosed as part of our all-in sustaining costs.

Each quarter, Jaguar updates the ARO estimate for changes in foreign exchange and discount rate. On an annual basis, the Company also carries out a detailed comprehensive review of its closure plans especially with relevance to any changes in footprint (i.e. extent of disturbance), new local regulations, improvements in understanding of estimations, and any constructive obligations as a result of past precedence. Adjustments to the estimated amount and timing of cash flows are normal occurrences in light of the significant judgments and estimates involved.

In Q4 2015, the Company reviewed the closure cost plans and revised its estimates of the undiscounted cash flow. The impact was a decrease of approximately R$5.8 million (undiscounted cash flow) in the total closure cost as a result of a decrease in the contingencies included in the estimate to industry norms.

The ARO provision reduced from $21.4 million on December 31, 2014 to $14.6 million on December 31, 2015, a reduction of $6.7 million, due to the net impact of the decrease in the Brazilian Selic rate ($2.6 million), the devaluation of Brazilian Reais as compared to the US dollar ($6.3 million), the decrease in the estimated future closure costs ($4.6 million), accretion ($1.9 million), and payments ($0.3 million).

	December 31, 2014	Additions (recovery)	Accretion	Payments	Foreign exchange	December 31, 2015
Reclamation provision	$ 21,374	$ (2,015)	$ 1,901	$ (339)	$ (6,280)	**$ 14,641**
Less: current portion	1,202					**578**
Non-current portion	$ 20,172					**$ 14,063**

The Company expects to spend approximately $20.3 million (undiscounted cash flow) to reclaim the areas disturbed as a result of mining, exploration, and processing (2014 – $32.1 million), which will be incurred between 2016 and 2029. All future cash payments for closure activities will be recorded against this liability. The actual future expenditures may differ from the amounts currently recorded.

The estimated future cash flows have been discounted using a 10 year projected Brazilian Selic rate of 10.5% (December 31, 2014 – 12.28%) and the inflation rate used to determine future expected cost ranges from 4.25% to 7.03% per annum. An increase in the discount rate by 1% (from 10.5% to 11.5%) would result in an approximate 5% reduction in the ARO liability (discounted cash flow).

Contractual Obligations and Commitments

The Company's contractual obligations as at December 31, 2015 are summarized as follows:

($ thousands, except where indicated)	Less than 1 year[1]	1 - 3 years	3 - 5 years	More than 5 years	Total
Financial liabilities					
Notes payable					
Principal					
Bank indebtedness	$ 13,126	$ -	$ -	$ -	**$ 13,126**
Vale note	500	1,000	750	-	**2,250**
Convertible debentures	-	21,500	-	-	**21,500**
Interest payments	2,900	4,730	-	-	**7,630**
Total financial liabilities	**$ 16,526**	**$ 27,230**	**$ 750**	**$ -**	**$ 44,506**
Other commitments					
Operating lease agreements	$ 174	$ 8	$ -	$ -	**$ 182**
Suppliers' agreements[2,3]	671	-	-	-	**671**
Other provisions and liabilities	5,338	13,919	-	-	**19,257**
Reclamation provisions[4]	597	4,354	5,142	10,246	**20,339**
Total other commitments	**$ 6,780**	**$ 18,281**	**$ 5,142**	**$ 10,246**	**$ 40,449**
Total	**$ 23,306**	**$ 45,511**	**$ 5,892**	**$ 10,246**	**$ 84,955**

[1] Represents the obligations and commitments for FY 2016.

[2] The Company has the contractual right to cancel the mine operation contracts with 30 days advance notice. The amount included in the commitments table represents the contractual amount due within 30 days.

[3] Purchase obligations for supplies and consumables - includes commitments related to new purchase obligations to secure a supply of cyanide, reagents, mill balls, and other spares.

[4] Reclamation provisions - amounts presented in the table represent the undiscounted uninflated future payments for the expected cost of reclamation.

Derivative Financial Instruments – Hedging

The Company assesses its financial instruments and non-financial contracts on a regular basis to determine the existence of any embedded derivatives which would be required to be accounted for separately at fair value and to ensure that any embedded derivatives are accounted for in accordance with the Company's policy. The Company has entered into forward contracts to hedge against the risk of declining gold prices for a portion of its forecasted gold sales.

As at December 31, 2015, the Company had the following outstanding gold forward contracts:

Settlement date	Ounces hedged	Average US$ per ounce	Spot price on December 31, 2015	Unrealized gain ('000)
January 31, 2016	11,146	1,209	$ 1,060	$ 1,648

The Company enters into gold forward contracts to hedge against the risk of declining US dollar denominated gold prices for a portion of its forecasted gold sales. The Company closely monitors the changes in gold price and, as deemed appropriate, may enter into gold forward contracts with the aim of minimizing the impact of adverse changes to the US dollar denominated price of gold.

Forward exchange contracts are derivative financial instruments and are used for risk management purposes and not for generating trading profits. The Company closely monitors exchange rates and, as deemed appropriate, may enter into forward currency contracts (to the extent that credit facilities are available) with the aim of minimizing the impact of adverse changes to the R$ and US$ relationship. As at December 31, 2015, the Company did not have any outstanding forward foreign exchange contracts.

To the extent that derivative instruments are in assets or an unrealized gain position, the Company is exposed to credit-related losses in the event of non-performance by its financial counterparties to the derivative financial instruments, but does not expect these counterparties to fail to meet their obligations.

Hedge accounting is applied to cash flow hedges that qualify under the hedging requirements of IAS 39 Financial Instruments: Recognition and Measurement (“IAS39”). Under hedge accounting, derivative instruments are recorded on the statement of financial position at fair value. The effective portion of any gain or loss on the hedging instrument, net of any tax effects, is recognized in other comprehensive income (“OCI”) and recorded into earnings when the hedge item affects earnings. The ineffective portion is reported as an unrealized gain (loss) on derivatives contracts in the statements of operations and comprehensive loss.

Unrealized gains and losses on forward sales contracts are a result of the difference between the forward spot price of the gold and the forward sales contract price. Unrealized gains and losses on forward foreign exchange contracts are primarily a result of the difference between the forward currency contract price and the spot price of the Brazilian Real.

2014 FINANCIAL RESTRUCTURING

On November 13, 2013, the Company and its subsidiaries entered into a support agreement (as amended, the “Support Agreement”) with holders (the “Noteholders”) of approximately 81% of its $165.0 million 4.5% Senior Unsecured Convertible Notes due November 1, 2014 (“4.5% Convertible Notes”) and 82% of its $103.5 million 5.5% Senior Unsecured Convertible Notes due March 31, 2016 (together with the 4.5% Convertible Notes, the “Notes” – see Note 9 of the consolidated financial statements) to effect a recapitalization and financing transaction that would eliminate approximately $268.5 million of the Company’s outstanding indebtedness by exchanging the Notes for common shares of Jaguar and inject approximately $50.0 million into the Company by way of a backstopped share offering (the “Share Offering”) by the Noteholders pursuant to a backstop agreement dated November 13, 2013 (as amended, the “Backstop Agreement”) between the Company, its subsidiaries, and certain Noteholders. Additional Noteholders signed consent agreements to the Support Agreement such that as of November 26, 2013, holders of approximately 93% of the Notes had signed the Support Agreement or a consent agreement thereto.

On December 23, 2013, the Company filed for creditor protection (the “CCAA Proceedings”) under the Companies’ Creditors Arrangement Act (Canada) (the “CCAA”) in the Ontario Superior Court of Justice (Commercial List) (the “Court”). The CCAA Proceedings were commenced in order to implement a recapitalization transaction as contemplated in the Support Agreement through a plan of compromise and arrangement (as amended, supplemented or restated from time to time, the “CCAA Plan”). The Court granted an Initial Order, Claims Procedure Order, and Meeting Order, each dated December 23, 2013.

The Claims Procedure Order provided for, among other things, the establishment of a claims procedure for the identification, quantification, and determination of certain claims against the Company. Pursuant to the Meeting Order, Jaguar was authorized to call a meeting (the “Meeting”) of Affected Unsecured Creditors (as defined in the CCAA Plan) to consider and, if deemed advisable, to pass a resolution approving the CCAA Plan. The Meeting was held on January 31, 2014 and the CCAA Plan was approved by 100% of the Affected Unsecured Creditors that voted, in person or by proxy, at the Meeting. Following the Meeting, Jaguar obtained an order from the Court on February 6, 2014 sanctioning the CCAA Plan.

Thereafter, on April 22, 2014, the Company successfully implemented the CCAA Plan. Based on the CCAA Plan, a series of steps leading to an overall capital reorganization of Jaguar were implemented. These steps included:

- The common shares of the Company issued and outstanding immediately prior to the implementation of the CCAA Plan were consolidated at a ratio of one (1) post-consolidation common share for each 86.39636 pre-consolidation common shares (the “Consolidation”);
- The Noteholders and certain other Affected Unsecured Creditors of the Company with proven claims received their pro-rata share of 14,000,000 common shares of the Company in exchange for their Notes and in satisfaction of their claims, respectively, and Noteholders who signed the Support Agreement, or a consent agreement thereto, as of November 26,

2013, received their pro rata share of an additional 5,000,000 common shares of the Company in exchange for their Notes. Pursuant to the CCAA Plan, the Notes (and the indentures under which such Notes were issued) have been irrevocably and finally cancelled and all unsecured claims of certain affected unsecured creditors of the Company are fully and finally released;

- Noteholders who participated in the Share Offering purchased up to their pro-rata share of 70,955,797 common shares of the Company (collectively, the “Offering Shares”) and such Noteholders received their pro-rata share of 9,044,203 common shares of the Company (the “Accrued Interest Offering Shares”) in exchange for their Notes;
- Noteholders who backstopped the Share Offering pursuant to the Backstop Agreement purchased their pro-rata share (based on their backstop commitments) of the Offering Shares not subscribed for under the Share Offering and received their pro-rata share of an additional 11,111,111 common shares of the Company (the “Backstopped Commitment Shares”) in exchange for their Notes.

The gain on debt extinguishment recognized in Q2 2014 resulting from implementing the CCAA Plan is summarized as follows (in $ thousands):

Extinguishment of principal portion of the Notes	$	268,500
Extinguishment of interest accrued on the Notes		10,454
Fair value of 19,000,000 common shares issued in exchange for extinguishment of the Notes		(13,388)
Gain on debt extinguishment	**$**	**265,566**

In connection with the CCAA Plan, the Company negotiated amendments to certain terms of the Renvest Credit Facility. The Facility amendments provide among other things the following key changes:

- The maturity date of the Facility was extended to December 31, 2015 from July 25, 2014;
- Mandatory repayments of $1.0 million of principal amount plus accrued and unpaid interest shall be made each month from and including July 2014 to and including November 2015, with the balance of all outstanding obligations to be repaid on December 31, 2015;
- The Lender shall have a right to convert up to $5.0 million of the outstanding obligations under the Facility into equity at a specified conversion price (subject to certain anti-dilution protections); and
- Existing breaches, defaults and events of default under the Facility were waived by the Lender.

In connection with the above amendments, the Company agreed to repay immediately to the Lender $10.0 million on account of the outstanding obligations under the Facility and the Lender waived its rights under the Facility to receive any portion of the net proceeds of the Share Offering, with the exception of the agreed upon $10.0 million repayment described above. The capital structure of the Company as at December 31, 2015 is outlined below:

($ thousands, except where indicated)		**As at December 31, 2015**
Bank indebtedness	$	13,126
Convertible debentures		26,321
Vale note		1,709
Total debt	**$**	**41,156**
Less: cash and cash equivalents		(15,319)
Total net debt[1]	**$**	**25,837**
Number of common shares outstanding		111.1 million

[1] Net debt is a Non-IFRS Performance Measure and is defined as total indebtedness excluding unamortized transaction costs and premiums or discounts associated with debt, less cash and cash equivalents. Net debt provides a measure of indebtedness in excess of the current cash available. We reduce gross indebtedness by cash and cash equivalents on the basis that they could be used to pay down debt.

OFF-BALANCE SHEET ITEMS

The Company does not have any off-balance sheet investment or debt arrangements.

RELATED PARTY TRANSACTIONS

The Company incurred legal fees from Azevedo Sette Advogados (“ASA”), a law firm where Luis Miraglia, a director of Jaguar is a partner. Fees paid to ASA are recorded at the exchange amount – being the amount agreed to by the parties and included in general and administration expenses in the statements of operations and comprehensive loss – and amount to $87,000 for the year ended December 31, 2015 (2014 – $51,000).

The Company also incurred legal fees from Goodmans LLP (“Goodmans”), a law firm where Robert Chadwick, a former director of Jaguar is a partner. Fees paid to Goodmans are recorded at the exchange amount - being the amount agreed to by the parties and included in general and administration expenses in the statements of operations and comprehensive loss – and amount to $11,000 for the year ended December 31, 2015 (2014 – $113,000).

HEALTH, SAFETY, AND ENVIRONMENT

Health and Safety

Jaguar places high priority on the safety and welfare of its employees. We recognize they are our most valuable asset. We have a code of conduct that is strictly enforced. While our accidents rate has reduced over the past few years, we strive for improving it further in future. We have an integrated management system in place that promotes open communication at all levels. Over the past few years, the health and safety team has expanded in order to meet compliance and regulatory requirements, and also to improve our operating standards. Our training program for new employees is extensive and includes the participation of experienced professionals that act as mentors, providing hands-on guidance and conducting periodical reviews.

During the fourth quarter of 2015, the Lost Time Incidents (“LTIs”) increased to four as compared to three incidents during the same period in 2014. For each incident, management identifies the likely causes and develops remediation plans to prevent future recurrences. The overall LTI frequency rate is calculated as the number of lost-time injuries per million hours worked. All accidents are analyzed and the underlying causes are identified to implement corrective actions. Proposed actions include the reinforcement of safe behavior with the Loss Prevention Program, thus aiming to strengthen the safety culture at Jaguar.

Environment

Jaguar is environmentally focused and continuously strives to improve our practices. In our commitment to the resources, land, and stakeholders, we work closely with surrounding communities, governments, and other partners to continuously improve the Company’s sustainable development programs. Jaguar's programs ensure its operations and development efforts protect the environment and surrounding natural resources.

Jaguar’s operations are subject to environmental regulation in Brazil. The Company has not been in full compliance with all environmental laws and regulations or held, or been in full compliance with, all required environmental and health and safety permits at all times. The Company is currently subject to a number of reclamation and remediation liabilities and may have civil or criminal fines or penalties imposed for alleged violations of applicable laws or regulations in Brazil. The Company has implemented and prioritized control structures and monitoring programs to address environmental non-compliance, and a reclamation plan for its mining/project sites is being prepared.

During the fourth quarter of 2015, Jaguar updated the reclamation plans for all Company’s assets in the Iron Quadrangle that were closed in the previous years. The reclamation plans were developed by Jaguar’s environmental team along with Agroflor Engenharia e Meio Ambiente, a Brazilian company with expertise in environmental studies and identification of liabilities. This update was used to validate the valuation of the Company’s AROs

In December 2015, the State Regional Environmental Regulation Agency (“SUPRAM”) started the evaluation of the renewal request for the Operating Licence (“LO”) for MTL, that was filed in 2012. The operating licence for MTL continues to be valid even after the initial expiration date (June 19, 2012), as the Company has applied for renewal within the legal time frame.

LITIGATION AND CONTINGENCIES

Labour Practices

Brazilian labour law is a complex system of statutes and regulations, which in general has a favourable approach to employees of the Company. As such, corporate labour compliance is a key success factor in Brazilian-based operations to minimize the impact of labour claims. The Company has historically not been in full compliance of labour regulations nor did it have the proper procedures in place to support labour claims defences, which led to the bulk of the litigation contingencies recorded.

In March 2013, management retained external counsel to review the Company’s labour practices in Brazil to determine areas of improvement. As a result, management received a report which identified 48 labour law violations in the Company’s legacy human resource practices capable of generating financial liability. Management has been tracking these 48 violations and has since implemented changes in procedures to eliminate those issues going forward and made significant progress during 2014 and 2015 in addressing the deficiencies. The Company’s human resource and legal departments continues to monitor the implementation of actions to remediate the legacy deficiencies.

Labour Lawsuits

As at December 31, 2015, there were 502 employee-initiated lawsuits active against the Company, largely related to wages. Based on management's assessment of the likelihood of loss related to 411 lawsuits, the Company has recorded $17.8 million as labour litigation contingencies as at December 31, 2015 ($5.3 million is classified as a current liability as at December 31, 2015).

During Q4 2015, 47 lawsuits were initiated. The Company paid approximately $250,000 in appeal deposits, $150,000 in instalments for settlements, $495,000 with respect to final decisions, and $67,000 for other costs such as social security, income tax, expert fees, etc. The total amount spent in the fourth quarter of 2015 was $963,000 in comparison to $1.0 million in Q4 2014.

Settlement of Litigation with Former Directors and Officers

On July 30, 2013, Daniel R. Titcomb (“Titcomb”), the Company’s former President and Chief Executive Officer, and a group of former officers, a former director, and a former related party (Brazilian Resources Inc. (“BZI”), a company of which Titcomb is a director) (the “Plaintiffs”), filed a complaint (the “Complaint”) in New Hampshire against the Company and selected current and former directors (the “Named Directors”) of the Company. Among other items, the Complaint alleged wrongful termination of Titcomb on December 6, 2011 and mismanagement of the strategic review process regarding the possible change of control of Jaguar which ended May 8, 2012.

On December 8, 2015, the Company and the Named Directors reached an agreement with the Plaintiffs, settling all claims in connection with the Complaint.

Settlement of Litigation with Brazilian Resources Inc.

Brazilian Resources Inc. (“BZI”) was in default under a note payable to the Company totaling an aggregate amount of $395,744. The Company pursued redress through court action in Brazil and had a lien on BZI’s real estate in Concord, New Hampshire to ensure the protection of its interests against BZI. After the sale of the above mentioned real estate, an amount was deposited in an escrow account with the Company's counsel for release upon definition of the outcome of the claim.

BZI also failed to pay $101,000 to the Company in respect of a Brazilian labour court settlement in 2008. The Company pursued court action in the Merrimack Superior Court of New Hampshire, USA, to obtain repayment in full.

On November 8, 2015, the Company settled both lawsuits with BZI and received proceeds of $200,000.

DEVELOPMENT AND EXPLORATION PROJECTS

Gurupi - Development Project

The Gurupi Project, wholly owned by the Company, is located in the State of Maranhão, Brazil, and comprises a total area of 140,332 hectares made of 33 mineral claims. Jaguar received its the Preliminary License ("LP") for the Gurupi project in June 2011. After the LP was granted, Jaguar completed part of the detailed engineering required to obtain the Installation License ("LI"). In January 2012, Jaguar received the LI, which authorizes the construction of Gurupi's processing plant. On November 20, 2013, Jaguar became aware that the Public Prosecutor in Brazil filed a lawsuit against MCT aiming at suspending the environmental licenses based on a number of unsupported allegations. In the preliminary decision, the judge decided to: (i) suspend the environmental licenses granted to MCT, (ii) prohibit any construction at the gold beneficiation plant, and (iii) stop any kind of negotiation with settlers without the participation of the National Institute for Colonization and Agrarian Reform ("INCRA").

During the fourth quarter of 2015, Jaguar Mining was formally notified about this injunction. The legal defense of the injunction is under development and will be delivered in Q1 2016 as required by the law. The main point of the injunction is that MCT wants to develop a mine on land that was designated as an agricultural settlement project by INCRA. However, the mineral rights for the region are from the 1980´s and 1990´s, while INCRA established an "Agricultural Settlement" in 2005. Mineral Production under the National Department for Mineral Production ("DNPM") has the same level of importance as agricultural development under Brazilian law.

The main part of Jaguar´s defense against the injunction is that there is very little to no agricultural work occurring in the areas of Chega Tudo and Cipoeiro and only large scale "garimpeiro" (illegal artisanal miners) mining is being carried out. In FY 2015, DNPM officially published information regarding eight mineral rights belonging to Jaguar. This publication will require Jaguar to complete mineral exploration and deliver a final exploration report to the DNPM within three years. Failure to identify and report mineralization during this period may likely result in a loss of these mineral rights.

During the fourth quarter of 2015, Jaguar continued the detailed planning for the resumption of limited mineral exploration in order to retain its mineral rights. This exploration program is planned to start during Q1 2016. During the fourth quarter of 2015, some minor activities were carried out at the project site such as installing IT infrastructure and radio communication system. The Company has also contacted potential suppliers and drilling companies and carried out site technical visits. Inquiries were also conducted with geologists and technicians in order to start the recruitment of individuals for the 2016 exploration campaign.

During Q4 2015, the Company also continued its interactions and engagement with stakeholders at Gurupi, including senior national government officials and ministries. Discussions have been very positive and officials appear supportive of advancing economic activity, including mining, in Maranhão. Meetings with INCRA in Maranhão are ongoing and are critical to resolve the land issues surrounding the project area.

Greenfield Exploration

Jaguar acquired over 210,000 hectares of mineral rights in its history and currently holds 204,582 hectares. New mining legislation in Brazil has been tabled and the outcome of any mining law reform is, as of yet, unknown. The Company intends to assess its holdings in due course, to establish a disposition plan of certain assets in the context of any change to holding cost, which are currently minimal.

Apart from properties in relatively close proximity to the existing mining operations, the only significant greenfield asset within the exploration portfolio is the Pedra Branca target where good grade surface expressions were identified by mapping and channel samples and have led to some 8,000 metres of exploration drilling to date. Due to prior financial constraints, this prospect has remained dormant but offers opportunity for further exploration should funds be available.

Pedra Branca Project

The Pedra Branca Project is located in the State of Ceará in northeastern Brazil and is currently comprised of 18 exploration licences, totaling 34,855 hectares covering a 38 kilometre section of a regional shear zone. Final exploration reports and a Preliminary Economic Analysis ("PEA") have been delivered to DNPM for three of these licences. The concessions are located in and around municipal areas with good infrastructure. The mineralized structures are open along strike with potential for significant gold mineralization.

Further work on the Pedra Branca Project, has been delayed as the Company focuses its efforts on the Turmalina and Caeté operations. Consequently, the Company made only those expenditures required to maintain the claims and land tenure in good standing.

The Pedra Branca Project is 100% owned by Jaguar. Based on the acquisition agreement of the project entered into with Glencore Xstrata plc. ("Glencore"), Glencore holds rights to a Net Smelter Royalty of one percent (1%) on future gold production and rights of first refusal on any Base Metal Dominant Deposit (as defined in the amendment) discovered, which if exercised, would allow Glencore to hold 70% of equity in a newly formed legal entity to hold such rights upon payment of three hundred percent (300%) of the Company's exploration expenditures incurred exclusively on the relevant Base Metal Dominant Area of the property.

Turmalina – Zona Basal Project

During 2013, the Company completed the final exploration report on the southeastern portion of the Zona Basal target, located 3 kilometres west of the Turmalina plant facility and filed it with the DNPM. The Company has subsequently applied for the mining permit.

Palmital and Bocaina

The Company has applied for permits for iron minerals in its Palmital and Bocaina gold exploration permits, located 26 kilometres from Itabirito, state of Minas Gerais, Brazil. Jaguar has filed a communication to the DNPM declaring the existence of a mineral deposit containing iron, on its gold exploration permits in the Bocaina and Palmital areas, located approximately 130 metres from the gate to the Company's Palmital gold mine, now under care and maintenance. The access to the area is the same as to the Palmital gold mine.

Jaguar applied for a Guia de Utilização (a mining authorization) with the DNPM in April 2014, and a Licença de Operação para Pesquisa (an exploration licence, "LOP") with the Superintendência de Regularização Ambiental de Minas Gerais ("SUPRAM"), the state environmental agency in July 2014. Based on the initial exploration activities conducted to date, a talus type of iron minerals deposit, containing hematite, itabirite, and quartz fragments, cemented by limonite, goethite, and other iron and clay minerals, has been mapped and surveyed by Jaguar.

QUALIFIED PERSON

The technical contents of this MD&A have been reviewed and approved by Marcos Dias Alvim, BSc Geo., MAusIMM (CP), Project Development Manager, who is an employee of Jaguar Mining Inc., and is a "qualified person" as such term is defined in National Instrument 43-101 ("NI 43-101").

OUTSTANDING SHARE DATA

	As at March 21, 2016
Issued and outstanding common shares	111,136,038
Stock options	7,679,735
Deferred share units	3,250,566
Finder's warrants	6,607,833
Convertible debentures	188,795,223
Total	**317,469,395**

Effective May 1, 2014, the common shares of Jaguar commenced trading on the TSX Venture Exchange (the "TSX-V") on a post-consolidated basis. There are currently 111,136,038 common shares of the Company issued and outstanding.

Subsequent to December 31, 2015, 1,600,000 stock options and 1,250,000 deferred share units held by former management were forfeited.

NON-IFRS PERFORMANCE MEASURES

The Company has included the following non-IFRS performance measures: cash operating margin per ounce of gold produced, cash operating costs per tonne of ore processed, cash operating costs per ounce of gold produced, all-in costs per ounce of gold sold, and earnings before tax, depreciation and amortization ("EBITDA") in this document. These non-IFRS performance measures do not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies.

The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. More specifically, management believes that these figures are a useful indicator to investors and management of a mine's performance as they provide: (i) a measure of the mine's cash margin per ounce, by comparison of the cash operating costs per ounce to the price of gold; (ii) the trend in costs as the mine matures; and (iii) an internal benchmark of performance to allow for comparison against other mines. The definitions of these performance measures and reconciliation of the non-IFRS measures to reported IFRS measures are as follows:

Reconciliation of Cash Operating Costs, All-In Sustaining Costs, All-In Costs per Ounce Sold

($ thousands, except where indicated)	Three months ended December 31,		Twelve months ended December 31,	
	2015	2014	**2015**	2014
Cost of production (per statement of operations)	**$ 15,397**	$ 23,508	**$ 70,230**	$ 90,431
Cost adjustment[1]	**-**	(2,859)	**-**	-
Adjusted cost of production	**15,397**	20,649	**70,230**	90,431
General & administration expenses	**2,643**	2,358	**10,863**	12,919
Stock-based compensation	**350**	333	**798**	1,557
Sustaining capital expenditures	**5,598**	5,156	**18,146**	21,369
All-in sustaining cash costs	**23,988**	28,496	**100,037**	126,276
Reclamation - accretion (operating sites)	**215**	236	**1,162**	899
All-in sustaining costs	**$ 24,203**	$ 28,732	**$ 101,199**	$ 127,175
Non-sustaining capital expenditures	**334**	225	**715**	1,052
Exploration and evaluation costs (greenfield)	**12**	63	**108**	280
Reclamation - accretion (non-operating sites)	**-**	1,692	**739**	2,360
Care and maintenance (non-operating sites)	**203**	545	**1,016**	2,181
All-in costs	**$ 24,752**	$ 31,257	**$ 103,777**	$ 133,048
Ounces of gold sold	**24,416**	21,400	**92,988**	92,264
Cash operating costs per ounce sold	**$ 631**	$ 965	**$ 755**	$ 980
All-in sustaining cash costs per ounce sold	**$ 982**	$ 1,332	**$ 1,076**	$ 1,369
All-in sustaining costs per ounce sold	**$ 991**	$ 1,343	**$ 1,088**	$ 1,378
All-in costs per ounce sold	**$ 1,014**	$ 1,461	**$ 1,116**	$ 1,442

[1] Cost adjustment includes any unusual items recorded during the quarter that do not relate to that quarter's cost of sales.

Cash Operating Costs, All-In Sustaining Costs per Ounce Sold (by Mine Complex)

($ thousands, except where indicated)	Three months ended December 31,		Twelve months ended December 31,	
	2015	2014	**2015**	2014
Turmalina				
Cost of production	**$ 7,499**	$ 7,873	**$ 32,304**	$ 41,471
Sustaining capital expenditures	**4,595**	2,398	**13,806**	9,917
All-in sustaining costs[1]	**$ 12,094**	$ 10,271	**$ 46,110**	$ 51,388
Ounces of gold sold	**15,527**	11,243	**51,819**	47,947
Cash operating costs per ounce sold	**$ 483**	$ 700	**$ 623**	$ 865
All-in sustaining costs per ounce sold[1]	**$ 779**	$ 914	**$ 890**	$ 1,072
Caeté Complex				
Cost of production	**$ 7,898**	$ 12,777	**$ 37,927**	$ 48,960
Sustaining capital expenditures	**1,003**	2,758	**4,340**	11,452
All-in sustaining costs[1]	**$ 8,901**	$ 15,535	**$ 42,267**	$ 60,412
Ounces of gold sold	**8,889**	10,157	**41,169**	44,317
Cash operating costs per ounce sold	**$ 889**	$ 1,258	**$ 921**	$ 1,105
All-in sustaining costs per ounce sold[1]	**$ 1,001**	$ 1,529	**$ 1,027**	$ 1,363

[1] The AISC calculation by mine complex does not include allocation of corporate G&A (Toronto and Belo Horizonte).

Reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA

($ thousands, except where indicated)	Three months ended December 31,		Twelve months ended December 31,	
	2015	2014	**2015**	2014
Net income (loss)	**$ 1,670**	$ (90,530)	**$ (11,212)**	$ 130,863
Income tax (recovery) expense	**(10,482)**	(282)	**(2,307)**	2,728
Finance costs	**7,554**	3,723	**10,933**	12,479
Depreciation and amortization	**3,206**	7,036	**16,596**	31,583
EBITDA	**$ 1,948**	$ (80,053)	**$ 14,010**	$ 177,653
Reclamation recovery	**$ (1,464)**	$ -	**$ (2,903)**	$ -
Impairment reversal	**(43,979)**	-	**(43,979)**	-
Impairment charges	**48,323**	88,938	**48,323**	88,938
Adjustment to legal and VAT provisions	**1,121**	(7,877)	**10,933**	(3,295)
Foreign exchange loss (gain)	**1,262**	88	**(5,608)**	174
Stock-based compensation	**350**	333	**798**	1,557
Restructuring fees	**723**	925	**723**	11,231
Net realizable value adjustment	**3**	297	**35**	1,566
Financial instruments gain	**(133)**	(6,956)	**(171)**	(272,818)
Adjusted EBITDA	**$ 8,154**	$ (4,305)	**$ 22,161**	$ 5,006

Reconciliation of Cash Operating Costs per Ounce Produced

	Three months ended December 31,		Twelve months ended December 31,	
($ thousands, except where indicated)	**2015**	2014	**2015**	2014
Consolidated				
Production costs (per statement of operations)	**$ 15,397**	$ 23,508	**$ 70,230**	$ 90,431
Royalty and CFEM	**(823)**	(944)	**(3,163)**	(3,607)
Others adjustments	**(20)**	(1,044)	**71**	(2,107)
Change in inventory	**(1,244)**	(1,456)	**(4,355)**	1,823
Operational cost of gold produced	**$ 13,310**	$ 20,064	**$ 62,783**	$ 86,540
Ounces of gold produced	**23,169**	22,457	**90,421**	92,057
Cash operating costs (per ounce produced)	**$ 574**	$ 894	**$ 694**	$ 940
Turmalina				
Production costs	**$ 7,499**	$ 9,771	**$ 32,304**	$ 41,471
Royalty and CFEM	**(689)**	(779)	**(2,527)**	(2,844)
Others adjustments	**(36)**	(583)	**16**	(1,832)
Change in inventory	**(850)**	(499)	**(2,437)**	(1,443)
Operational cost of gold produced	**$ 5,924**	$ 7,910	**$ 27,356**	$ 35,352
Ounces of gold produced	**14,449**	12,067	**50,659**	47,968
Cash operating costs (per ounce produced)	**$ 410**	$ 656	**$ 540**	$ 737
Caeté				
Production costs	**$ 7,898**	$ 13,738	**$ 37,927**	$ 48,960
Royalty and CFEM	**(134)**	(165)	**(636)**	(763)
Others adjustments	**16**	(461)	**55**	(275)
Change in inventory	**(394)**	(957)	**(1,918)**	3,265
Operational cost of gold produced	**$ 7,386**	$ 12,155	**$ 35,428**	$ 51,187
Ounces of gold produced	**8,720**	10,389	**39,762**	44,089
Cash operating costs (per ounce produced)	**$ 847**	$ 1,170	**$ 891**	$ 1,161

RISKS AND UNCERTAINTIES

The business of the Company involves significant risk due to the nature of mining, exploration, and development activities. Certain risk factors are related to the mining industry in general while others are specific to Jaguar. The Company's exposure to risks and other uncertainties are particularly described in the Company's Annual Information Form for the year ended December 31, 2015, which will be filed on SEDAR under the profile of Jaguar Mining Inc. on or before April 29, 2016. Such risk factors could materially affect the future operating results of the Company and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

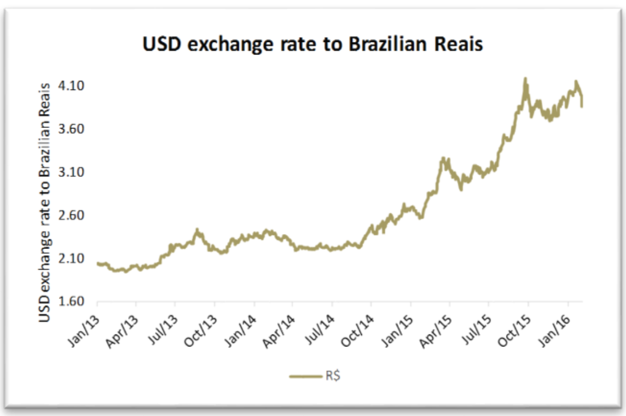
MARKET AND INDUSTRY TRENDS

Gold Price

- The market price of gold is the primary driver of our profitability and our ability to generate free cash flow for our shareholders. The price of gold is subject to volatile movements over short periods of time and is affected by numerous industry and macroeconomic factors. During 2015, the gold price ranged from $1,049 per ounce to $1,296 per ounce. The average market price for 2015 of $1,160 per ounce represented a decrease of 18% as compared to 2014.
- The continuing decline in the price of gold in 2014 and 2015 primarily occurred as a result of a strengthening US dollar, which was due to increasing economic strength in the United States versus concerns over weakening economic performance in Europe and China, as well as the reduction of the monetary easing provided by the US Federal Reserve.

Foreign Exchange

- The results of our operations are affected by the foreign currency movements of the Brazilian Real versus the US dollar. Approximately 90% of our expenditures in Brazil are denominated in Brazilian Reais and therefore the cash flows are highly sensitive to any movements in Brazilian Reais as compared to the US dollar.
- Starting in the second half of 2014 and continuing into 2015, the US dollar significantly strengthened against a basket of global currencies as well as against Brazilian Reais. The US dollar strength has mainly occurred due to a reduction in monetary stimulus measures by the US Federal Reserve and the continued European debt crisis. The Brazilian Real traded in the range of R$2.19 to R$2.69 against the US dollar during 2014 and experienced a sharp decline in 2015, peaking at R$4.19 per US dollar in the third quarter of 2015 and closing at R$3.95 as at December 31, 2015. The following graph shows the movement of Brazilian Reais against the US Dollar between 2013 and 2015:



Capital Markets

- Mining companies, especially in the junior mining sector, are facing ongoing challenges in attracting investors and accessing capital markets for financing. Access to any sources of funding (equity or debt) is coming at a higher cost and/or on onerous terms and conditions.
- Other factors affecting the resource sector include general risk aversion on the part of investors and purchasers of assets, stagnant economies, and volatile capital markets around the globe, the high risk nature of exploration and development, and a rising number of labour disputes in the mining sector.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the annual audited consolidated financial statements in conformity with IFRS requires management to make estimates, judgments, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Certain estimates, such as those related to the assessment of recoverability of the carrying amount of property, plant, and equipment and mineral exploration projects, valuation of recoverable taxes, deferred tax assets and liabilities, reclamation provisions, derivatives, liabilities associated with certain long-term incentive plans, measurement of inventory, provisions for legal actions and contingencies, and disclosure of contingent assets and liabilities depend on subjective or complex judgments about matters that may be uncertain. Changes in these estimates could materially impact the Company's annual audited consolidated financial statements.

The judgments that management has applied in the application of accounting policies and related estimates that have the most significant effect on the amounts recognized are discussed in Note 2 of the Company's December 31, 2015 annual audited consolidated financial statements.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The accounting policies applied in the annual audited consolidated financial statements as at December 31, 2015 are consistent with those used in the Company's annual audited consolidated financial statements for the year ended December 31, 2014. The following are recent pronouncements approved by the IASB that are pending adoption. These new standards are not yet effective and have not been applied in preparing the consolidated financial statements, however, they may impact future periods:

- IFRS 9 Financial Instruments ("IFRS 9") – In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted. The impact of IFRS 9 on the Company's financial instruments has not yet been determined.
- IFRS 15 Revenue from Contracts with Customers ("IFRS 15") – In May 2014, the IASB issued IFRS 15, which covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. In September 2015, the IASB deferred the effective date of the standard to annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. We are currently assessing the impact on our consolidated financial statements along with timing of our adoption of IFRS 15. The impact of IFRS 15 on the Company's consolidated financial statements has not yet been determined.
- IFRS 16 Leases ("IFRS 16") – In January 2016, the IASB issued IFRS 16, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted, provided the new revenue standard, IFRS 15, has been applied or is applied at the same date as IFRS 16. The impact of IFRS 16 on the Company's consolidated financial statements has not yet been determined.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting (as such term is defined under National Instrument 52-109 as issued by the Canadian Securities Administrator). Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There have been no changes during the year ended December 31, 2015 that, in management's view, would have materially affected, or that are reasonably likely to materially affect, the Company's internal controls over financial reporting. The Company's management has attested to its internal controls over financial reporting for the year ended December 31, 2015.

GLOSSARY OF TERMS

DEVELOPMENT: Work carried out for the purposes of opening up a mineral deposit. In an underground mine this includes shaft sinking, crosscutting, drifting and raising.

DILUTION: Effect of waste or low-grade ore which is unavoidably included in the mined ore, lowering the recovered grade.

DRILLING:
Core: drilling with a hollow bit with a diamond cutting rim to produce a cylindrical core that is used for geological study and assays. This is used in mineral exploration.
In-fill/definition: method of drilling intervals between existing holes used to provide greater geological detail and to establish reserves estimates.

EXPLORATION: Prospecting, sampling, mapping, diamond-drilling and other work in search of a new ore body.

GRADE: The amount of metal in each tonne of ore, expressed as troy ounces per ton or grams per tonne for precious metals and as a percentage for most other metals.
Cut-off grade: the minimum metal grade at which an ore body can be economically mined.
Mill-head grade: metal content of mined ore going into a mill for processing.
*Average head grad*e: adjusted mill-head grade i.e. actual metal content of ore determined after final processing.

MILL: a processing facility where ore is finely ground and undergoes physical or chemical treatment to extract valuable metals.

ORE: Rock containing metallic or non-metallic minerals which can be processed for recovery.

RECOVERY RATE: A term used in process metallurgy to indicate the proportion of valuable material physically recovered in the processing of ore. It is generally stated as a percentage of the material recovered compared to the total material originally present.

TAILINGS: The material that remains after all economic recoverable metals have been removed from the ore during processing.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A constitute “Forward-Looking Statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and Canadian securities legislation. These Forward-Looking Statements include, but are not limited to, statements concerning the Company’s future objectives, Measured and Indicated Mineral Resources, Proven and Probable Mineral Reserves, their average grade, the commencement period of production, cash operating costs per ounce and completion dates of feasibility studies, gold production and sales targets, capital expenditure costs, future profitability and growth in mineral reserves. Forward-Looking Statements can be identified by the use of words such as, “are expected”, “is forecast”, “is targeted”, “approximately” or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might”, or “will” be taken, occur or be achieved. Forward-Looking Statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance to be materially different from any future results or performance expressed or implied by the Forward-Looking Statements.

These factors include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating gold prices and monetary exchange rates, the possibility of project delays and cost overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future, uncertainties related to production rates, timing of production and the cash and total costs of production, changes in applicable laws including laws related to mining development, environmental protection, and the protection of the health and safety of mine workers, the availability of labour and equipment, the possibility of civil insurrection, labour strikes and work stoppages and changes in general economic conditions. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in the Forward-Looking Statements, there may be other factors that could cause actions, events or results to differ from those anticipated, estimated or intended.

These Forward-Looking Statements represent the Company’s views as of the date of this MD&A. The Company anticipates that subsequent events and developments may cause the Company’s views to change. The Company does not undertake to update any Forward-Looking Statements, either written or oral, that may be made from time to time by, or on behalf of the Company, subsequent to the date of this discussion, other than as required by law. For a discussion of important factors affecting the Company, including fluctuations in the price of gold and exchange rates, uncertainty in the calculation of mineral resources, competition, uncertainty concerning geological conditions and governmental regulations and assumptions underlying the Company’s Forward-Looking Statements, see “CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS” and “RISK FACTORS” in the Company’s Annual Information Form for the year ended December 31, 2015 which will be filed on SEDAR under the profile of Jaguar Mining Inc. on or before April 29, 2016 and available at www.sedar.com. Further information about the Company is available on its corporate website at www.jaguarmining.com.

CAUTIONARY NOTE TO U.S. INVESTORS

The disclosure in this MD&A and documents incorporated by reference has been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of United States securities laws.

Unless otherwise indicated, all mineral reserves and mineral resources estimates included in this MD&A have been prepared in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects (“NI 43-101”) and the CIM classification system. NI 43-101 is a rule developed by the Canadian Securities Administrators (“CSA”) that establishes standards for all public disclosure a Canadian issuer makes of scientific and technical information concerning mineral projects.

Canadian standards, including NI 43-101, differ significantly from the requirements of the Securities and Exchange Commission (the “SEC”), and mineral reserve and mineral resource information contained in this MD&A may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, this MD&A uses the terms “Measured Mineral Resources,” “Indicated Mineral Resources” and “Inferred Mineral

Resources.” U.S. investors are advised that, while such terms are recognized and required by Canadian securities laws, the SEC does not recognize them. Under U.S. standards, mineralization may not be classified as a “Mineral Reserve” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the mineral reserve determination is made. U.S. investors are cautioned not to assume that any part of the “Measured Mineral Resource” or “Indicated Mineral Resource” will ever be converted into a “Mineral Reserve.” U.S. investors should also understand that “Inferred Mineral Resources” have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of “Inferred Mineral Resources” exist, are economically or legally mineable or will ever be upgraded to a higher category. Under Canadian securities laws, estimated “Inferred Mineral Resources” may not form the basis of feasibility or pre-feasibility studies except in rare cases. Disclosure of “contained ounces” in a Mineral Resource is also permitted disclosure under Canadian securities laws. However, the SEC normally only permits issuers to report mineralization that does not constitute “Mineral Reserves” by SEC standards as in-place tonnage and grade, without reference to unit measures. The requirements of NI 43-101 for identification of “Mineral Reserves” are also not the same as those of the SEC, and Mineral Reserves reported in compliance with NI 43-101 may not qualify as “Mineral Reserves” under SEC standards. Accordingly, information concerning mineral deposits set forth may not be comparable with information made public by companies that report in accordance with U.S. standards.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Richard D. Falconer(1)(3) *Chairman*
Rodney Lamond
Edward V. Reeser(1)(2)(3)(4)
Luis R. Miraglia(2)(4)
Stephen Hope(1)(2)(4)
Jared Hardner(3)

(1) Audit & Risk Committee
(2) Governance, Compensation and Nominating Committee
(3) Safety, Environmental, Technical & Reserves Committee
(4) Special Committee

OFFICERS AND SENIOR MANAGEMENT

Rodney Lamond
Chief Executive Officer

Hashim Ahmed
Interim Chief Financial Officer

Jim Healy
Executive Vice President, Development

Ubiratã Oliveira
Executive Vice President, Operations

Jean-Marc Lopez
Vice President, Geology and Exploration

Cintia Zanellato
Corporate Secretary and General Counsel

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Toronto, ON, Canada

LEGAL COUNSEL

Azevedo Sette Advogados
Belo Horizonte, MG, Brazil

STOCK TRANSFER AGENT

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Fax: 1 (866) 249-7775
Email: service@computershare.com

EXCHANGE LISTING

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